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Affaires indiennes et du Nord Canada

First Nations Child and Family Services

National Program Manual

Social Policy and Programs Branch
Headquarters

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The Terms and Conditions of the program are the ultimate authority; the purpose of this manual is to explain those authorities.

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Introduction

This Manual is an overview of the First Nations Child and Family Services Program (FNCFS) of Indian and Northern Affairs Canada (INAC) at the time of writing. It reflects the current authorities as outlined in Appendix B and the policy as outlined in Appendix A. The Manual outlines the current Terms and Conditions and FNCFS policy. It is also recognized that the program is in the process of evolving and that changes will be required and are desirable from time to time.

There were a number of recommended changes put forward in the First Nations Child and Family Services Joint National Policy Review of 2000 (NPR). Some of these have received Treasury Board or Departmental approval and are included in this document. The majority of recommendations, however, have not yet been implemented, but may be in future following further developmental work by the National Advisory Committee on First Nations Child and Family Services (NAC). As changes to the current policy and practices are approved, this Manual will be amended accordingly.

First Nations have indicated that, although the services to be provided under the operational formula are clearly outlined in the authorities, there may, in some circumstances, not be enough resources to provide these services. For example, when the formula was conceived in the early 1980s, computers were not used to the same extent as they are today. As well, there was less emphasis on prevention services than there is now. These changes have put increased pressure on Recipients with limited resources to adapt to current trends.

Further, in recognition of First Nations aspirations as expressed in Recommendation 1 of the NPR, the policies presented in this document are considered interim steps in the process of moving toward self-government. Some First Nations groups are already moving in this direction. It is an expression of their desire to regain control over their children and families and to move toward First Nation designed programming.

This Manual presents the program from a national perspective. It outlines the national authorities within which the program is required to operate. The Manual also explains the implications of non-compliance

with these authorities. It is not intended to cover everything. Rather, the Manual presents a framework within which the program must operate in INAC regions (hereafter region or regions).

Because the program is driven by provincial legislation and standards, regional variations exist . While this is a vital component of the program, federal authorities must also be respected.

It is expected that all regions will develop their own manuals and that these manuals should complement this national one. Because this manual focusses primarily on national authorities, it is anticipated that the regional manuals will focus more on the application of the program and the implications of provincial or territorial legislation and standards. The final regional product should provide a clear picture of FNCFS and how the program intends to meet both national INAC authorities and provincial legislation and standards.

Finally, while this manual is a blueprint on how INAC will administer the FNCFS program from a national perspective, it is also intended to be a teaching document for new staff at both INAC Headquarters and Regions. The combination of the national manual and the regional manuals should create a clear picture of INAC's role in FNCFS in Canada.

1 Backgrounder

1.1 History

1.1.1 Traditionally, assistance to Indian children and their families was provided informally, by band custom, within the network of the extended family. Children were maintained, educated and protected by many adults including grandparents, aunts and uncles, as well as by their natural parents. When circumstances required they be separated from their natural parents, children were taken in by relatives to live with them in their homes. These informal patterns of child raising gradually became inadequate as outside pressures began to affect First Nations communities. Children were often removed for long periods of time for educational purposes and families were separated, at least seasonally, when cash income became necessary to sustain the family.

1.1.2 The Joint Committees of the Senate and the House of Commons in 1946-1948 and again in 1959-1961 urged provinces and territories to increase their involvement in providing services to First Nations people. Some provincial and territorial governments at that time began to make preliminary arrangements to extend some child and family services into communities in order to fill the gaps resulting from disruptions to traditional patterns of community care. Other provinces adopted a policy of intervention only in matters of life and death. It was in this climate that INAC, in the mid 1950s, adopted a policy of extending some basic social services on reserve, although not in the area of child and family services.

1.1.3 In 1965, Cabinet authorized Canada's entry into an agreement with the Province of Ontario to enable social services to be extended to First Nations communities on an equal basis to what was provided for other provincial residents. Under the *Memorandum of Agreement Respecting Welfare Programs for Indians,* the Government of Ontario extends services under the *Child and Family Services Act* and INAC reimburses a portion of the costs to Ontario in accordance with the provisions of the Agreement.

1.1.4 Other provinces entered into bilateral agreements whereby INAC would reimburse them for the delivery of child and family services. This practice continued through the 1970s. In some provinces, INAC entered into informal arrangements with bands and tribal councils and

reimbursed caregivers for the placement of children. This practice was, however, without authority.

1.1.5 A child's death in Manitoba in the late 1970s led to a judicial inquiry by Judge Kimmelman. First Nations leadership continued to demand a return of jurisdiction and control to First Nations. This led to the first tripartite process involving the Province of Manitoba, the Manitoba Indian Brotherhood and INAC. Cabinet and Treasury Board authority was obtained. This resulted in the creation of the Manitoba First Nations agencies, managed and operated by First Nations, mandated by the Province of Manitoba and funded by INAC.

1.1.6 First Nations services began to expand into other provinces and territories, mostly in an unregulated manner. As a result, in 1986, a moratorium was placed on the expansion of child and family services agencies. This moratorium remained in place until 1990 when INAC received Cabinet and Treasury Board authority for creating a national First Nations Child and Family Services Program (FNCFS). The authorities received were reflected in the National Program Directive 20-1 Chapter 5. Under these authorities, FNCFS agencies operate and manage child and family services on reserve. Provinces and territories mandate and regulate agencies according to provincial or territorial legislation and standards. INAC provides funding on behalf of First Nations children ordinarily resident on reserve. From 1990 to 2003, FNCFS expanded from 34 agencies in selected regions to 102 agencies in all provinces of Canada. As of 2003, there were no agencies in the territories.

1.1.7 As a result of concerns expressed by First Nations agencies across Canada, that the current policy was out of date and needed to be reviewed, a National Policy Review (NPR) was started in 1999. The Review was a joint venture of INAC and the Assembly of First Nations. The Review was completed with the release of the final report in June 2000. The report provided recommendations advocating significant changes to the current policy and to how FNCFS is funded.

1.1.8 Independent from the NPR, a government-wide policy renewal process slowed progress on the NPR recommendations from 2000 to September 2003. New interim authorities were issued in September 2003. While the new authorities contain some of the NPR recommendations, such as increased flexibility in Maintenance funding, other recommendations require more development before being considered.

1.2 Legal Position

1.2.1 Section 92 of the *Constitution Act* states that provincial governments are responsible for welfare services, which include protection and care of children including children resident on reserve.

1.2.2 Section 91 of the *Constitution Act* empowers Canada to enact legislation in respect to Indians and Indian lands. To date, Canada has chosen not to exercise this discretionary power in respect to legislation governing the protection and care of Indian children.

1.2.3 Section 88 of *The Indian Act* states that laws of general application apply on reserve unless and to the extent that such laws conflict with the *Indian Act* and its treaties. Accordingly, consistent with Section 88, First Nation peoples on reserve fall under the child and family services legislation of the reference province or territory. These are laws of general application. To date, no conflict of laws have been identified.

The above represents INAC's position in law for the delivery of programs and services.

1.3 Program Objective and Principles

1.3.1 Primary responsibility for the care and nurturing of First Nations children rests with the family and community where the child lives.

1.3.2 The primary objective of the FNCFS program is to support culturally appropriate child and family services for Indian children and families resident on reserve or Ordinarily Resident On Reserve, in the best interest of the child, in accordance with the legislation and standards of the reference province.

1.3.3 In recognition of the Inherent Right Policy of 2000 and, as recommended in the final report of the National Policy Review on FNCFS of 2000, the FNCFS policy will be compatible with First Nations aspirations for self-government. The FNCFS policy, as outlined in this manual, reflects the current Treasury Board authorities for the FNCFS program. This policy is an interim step in the process of moving toward self-government.

1.3.4 FNCFS will be managed and operated by provincially mandated First Nations organizations (Recipients), which provide services to First Nations children and families Ordinarily Resident On Reserve. FNCFS

Recipients will manage the program in accordance with provincial or territorial legislation and standards. INAC will provide funding in accordance with its authorities.

1.3.5 The child and family services offered by FNCFS on reserve are to be culturally relevant and comparable, but not necessarily identical, to those offered by the reference province or territory to residents living off reserve in similar circumstances.

1.3.6 Protecting children from neglect and abuse is the main objective of child and family services. FNCFS also provide services that increase the ability and capacity of First Nations families to remain together and to support the needs of First Nations children in their parental homes and communities.

1.3.7 First Nation agencies and other Recipients will ensure that all persons Ordinarily Resident On Reserve and within their Catchment Area receive a full range of child and family services reasonably comparable to those provided off reserve by the reference province or territory. Funding will be provided in accordance with INAC authorities.

1.4 Current Authorities

Process

1.4.1 General policy authorities are obtained from Cabinet through a Memorandum to Cabinet (MC). The Memorandum requests general permission to begin or continue certain practices. It also outlines the broad terms and conditions under which the program will operate. If Cabinet approves the MC, a record of decision will be issued outlining what has been authorized. This then becomes the **policy authority**.

1.4.2 Once agreement has been secured from Cabinet on the general framework of the program, a proposal is submitted to Treasury Board, if required. This submission will be more specific. It will outline how the policy will be implemented in terms of enhanced new programming and the terms and conditions under which the money is to be spent. It will seek new money from Treasury Board to begin or continue programming as approved by Cabinet. If Treasury Board approves, new money will be provided to support the program. If Treasury Board does not approve, authority will remain for that aspect of the program

previously approved by Cabinet, but it may not be implemented. The letter of decision from Treasury Board, then, becomes the **program authority**.

Authorities

1.4.3 The authorities issued by Treasury Board in September 2003, subject to renewal by March 31, 2006, were to be managed within current levels of funding.

1.4.4 INAC is also authorized to reimburse a portion of the Government of Ontario's costs under Ontario's *Child and Family Services Act*, in accordance with the 1965 *Indian Welfare Agreement*. This authority takes precedence over INAC's FNCFS policy as outlined in the Directive and in this manual.

1.4.5 The current authorities obtained from Cabinet and from Treasury Board are reflected in the redrafted and revised Program Directive (see Appendix A). It must be pointed out, however, that it is not the Program Directive that forms the authority. The authorities are contained in the Terms and Conditions (see Appendix B). The Program Directive interprets the authorities and places them into a useable context. The Directive is to be used as a guide along with the current program manual. The Directive is INAC's policy position.

1.5 Roles and Responsibilities

1.5.1 The management of the FNCFS program depends on a clear understanding of roles and responsibilities. Without transparency among the parties (Headquarters, Regions, First Nation Recipients and a province or territory), it would be difficult to maintain the program and to ensure the safety and well-being of children. For this reason, a functional tripartite process is essential to resolve differences and to understand the positions of the other parties.

1.5.2 The role of Headquarters is:

- to provide, through the regions, funding for Recipients on behalf of children and families as authorized by the approved policy and program authorities;
- to lead in the development of FNCFS policy;

- to move forward proposals for change coming from regional representatives and First Nations practitioners;
- to provide oversight on program issues related to the FNCFS policy and to assist regions and First Nations in finding solutions to problems arising in the regions;
- to provide leadership in collecting data and ensure that reporting takes place in an orderly fashion;
- to interpret FNCFS policy and to assist regions in providing policy clarification to Recipients, a province or territory; and
- to provide amendments to the National Program Manual as required and to ensure that regional manuals are consistent with approved policy and program authorities.

1.5.3 The role of INAC Regions is:

- to interact with Recipients, Chiefs and Councils, Headquarters, the reference province or territory (or their legal delegates where they exist);
- to manage the program and funding on behalf of Canada and to ensure that authorities are followed;
- to provide oversight activities, which includes the reconciliation of Maintenance invoices in a timely manner and periodic on-site compliance reviews;
- to assure Headquarters that the program is operating according to authorities and Canada's financial management requirements;
- to be responsible for maintaining an interaction with the reference province or territory and Recipients through tripartite processes;
- to establish, in cooperation with Recipients, a process for dealing with disputes over issues relating to the operation of FNCFS; and
- to keep Headquarters informed about any issues that could potentially affect national policy and advise it regarding changes to provincial or territorial legislation and programs.

1.5.4 The role of Recipients is:

- to deliver the FNCFS program in accordance with provincial legislation and standards while adhering to the terms and conditions of their funding agreements;
- to report in a timely fashion on Maintenance expenses and to adhere to the terms and conditions of tripartite or dual bilateral agreements;
- to maintain records on their operations as required in their agreements and to involve Regions and the reference province or territory on issues as they arise;
- to involve the communities within their respective Catchment Areas so that services are provided as transparently as possible within provincial or territorial legislation and standards;
- to establish, in cooperation with the Region, a process for dealing with disputes over issues relating to the operation of FNCFS; and
- to participate and take a lead in tripartite discussions with INAC and the province or territory.

1.5.5 Child and Family Services falls within provincial jurisdiction. It is the role of the province or territory:

- to mandate Recipients in accordance with provincial or territorial legislation and standards;
- to regulate Recipients in their activities as they relate to the legislation and standards;
- to provide ongoing oversight to Recipients and to take action if the requirements are not being met;
- to participate in tripartite activities; that is, negotiations, tables, dispute resolution and consultations as well as regional tables; and
- to apply the legislation and standards for child and family services equally to all residents of the province or territory, on and off reserve.

2 Program Components

2.1 Development

2.1.1 Before beginning the start-up phase for a new agency (Recipient) or the separation of one or more First Nations from an existing agency (Recipient), there must be agreement by the affected First Nation(s), the affected Recipient, if relevant, the reference province or territory, region and Headquarters to proceed or take action. Band Council Resolutions (BCRs) will be required from the affected First Nations indicating that they intend to pursue creating a new Recipient or realigning First Nations with other Recipients. As well, the reference province or territory must indicate that they are willing to support the process of mandating or continuing to mandate the new First Nation entity. Once this has been accomplished, the parties may then proceed to the first step.

(Recipients with fewer than 801 children in their Catchment Area may be approved at the discretion of the Regional Director General and Headquarters if there are geographic or cultural reasons why they cannot belong to a larger agency. They must, however, be made aware that their funding will be adjusted according to child population (see Section 3.2.a) and that this may place them in a tenuous position. The reference province or territory must also be made aware of the implications of these lower numbers and must agree that they are willing to mandate and create the Recipient despite these considerations.)

2.1.2 Funding for this process will be available only once to each entity. If a First Nation, which is currently a member of an existing Recipient agency, decides to separate and create a new Recipient agency or if a First Nation wishes to leave one Recipient agency and join another, they would not be eligible for startup funding. On the other hand, if a First Nation, which has never belonged to a FNCFS Recipient, wishes to join an existing entity, they would be eligible for the Developmental funding (see the paragraph above).

2.1.3 Once the above steps have been taken and the status of the First Nation group has been agreed upon, the new entity would be eligible to receive funding in the form of a Flexible Transfer Payment for the **pre-planning phase**. This phase could include community consultation and studies to determine whether or not it is feasible for the First

Nations to create a FNCFS Recipient. It could also cover the cost of meeting with the province or territory and the region to discuss the process and steps involved in creating a FNCFS Recipient.

2.1.4 At this point, there should be a clear understanding on the part of the First Nation about the commitments it will be undertaking and the responsibilities it will be expected to fulfill.

2.1.5 When the pre-planning phase has been completed, the Recipient is eligible to receive funding in the form of a Flexible Transfer Payment to begin the **planning phase**. At this point, the region will require a written commitment on the part of the reference province or territory that they are prepared to mandate the new Recipient when discussions about the agreements are finished. Funding for this phase may be used to develop an agreement in conjunction with the province or territory and INAC. These agreements may be dual bilateral or tripartite (see Chapter 4), but must be in place before proceeding to the start-up phase (see Appendix A, Program Directive, for further details).

2.1.6 The **start-up phase** will be funded in the form of a Flexible Transfer Payment and may proceed once the pre-planning and planning phases have been completed. As outlined in APPENDIX A, the start up will include hiring staff, establishing offices, purchasing equipment and furniture and training staff and board members in their roles and responsibilities as a FNCFS Recipient.

2.1.7 The FNCFS Recipient will begin operating on the date specified by the reference province or territory in their mandating of authority documentation. The mandating documentation may be a provincial Order In Council or a letter confirming the provincial mandate to an agency or specified FNCFS worker(s) who are members in good standing of the FNCFS Recipient. **Without a mandate from the reference province or territory, INAC does not have authority to provide funding to a FNCFS Recipient**.

2.1.8 In the Ontario region, the development of new agencies is handled by the Province in consultation with the First Nation(s). The region requires the province to consult in advance with the region. The region would reimburse the Province on the basis of pre-determined costs.

2.2 Operations

2.2.1 The Operations allocation (see Chapter 3) is provided annually to Recipients in the form of a formula-driven Flexible Transfer Payment to deliver services. It covers all aspects of the agency's operations that are not covered under Maintenance or Development.

2.2.2 Components included in and covered under Operations are, but not limited to, the following (see Appendix B):

- salaries and benefits for all staff including protection and prevention staff, which includes salaries for homemakers and all other auxiliary staff;
- all Board of Directors expenses including board meetings, travel, expenses and training;
- all travel and expenses for staff, which includes staff persons accompanying a child to a home visit or an appointment;
- professional development services including staff training, workshops, conferences etc.;
- fee for service including foster home assessment, adoption home assessment, etc.;
- all legal services (including the care and protection of children), which includes legal services related to agency business as well as court costs related to apprehension and custody hearings;
- para-professional, family support and prevention services, which includes in-home services intended to maintain the family and keep children at home;
- recipient administration, including rent and utilities; however, there is no provision for capital expenses in the authorities;
- office expenses including computer hardware and software;
- annual audits and, from time to time, evaluations (except in years 3 and 6 when authorities allow INAC to provide a fixed allocation for evaluations);

- non-medical counseling services not covered by other funding sources, including casework, assessment and monitoring active cases; and
- adoption services where this is one of the services given in the mandate to the Recipient by the reference province or territory.

2.2.3 Although the authorities are clear on what is to be included in the Operations formula, First Nations have expressed a concern that because the formula was developed in the late 1980s, legislation, standards and practices have changed significantly. Although the following items are included under Operations, First Nations have stated that Recipients are under increasing pressure due to changes over time with respect to:

- *Information Technology*: In the late 1980s, use of computers was limited. Today, however, they are vital to operating social programs and services.
- *Prevention (Least Disruptive Measures)*: Recent trends in provincial and territorial legislation have placed a greater emphasis on prevention. Although prevention resources were included in the current formula, the level of funding may not provide enough resources to meet current trends.
- *Liability Insurance*: As with prevention, the Operations formula includes funding for insurance. However, since September 11, 2001 (9/11) insurance costs have increased dramatically.
- *Legal Costs*: Although legal costs are included in the Operations formula, they have become a larger issue than planned for when the formula was developed. A higher incidence of contested cases plus changes in provincial practice requiring cases to be presented by legal representatives rather than social workers has resulted in higher costs. Further, litigation on behalf of injured children can be very expensive, even when adequate liability insurance is carried.

It is anticipated that the review of the Operational formula will address these issues. At the present time, however, the current authorities must be applied.

2.3 Maintenance

2.3.1 Maintenance costs are those that are directly related to maintaining a child in Alternate Care out of the parental home. Costs are reimbursed to Recipients on the basis of actual expenses made in accordance with provincially established rates and as verified by monthly reconciliations conducted by regional offices or according to a FFOM agreement.

2.3.2 Children may come into Alternate Care through an apprehension, which must be sanctioned by the relevant provincial court; a voluntary placement agreement, which is a legal agreement between the Recipient and the custodial parent/guardian; or if sanctioned under provincial or territorial legislation, a private care arrangement between the custodial parent/guardian and a third party. If sanctioned and regulated by the province, these placements may be supported financially by INAC within provincial and territorial rates. In all cases, however, the placements must be licensed and/or regulated within the relevant legislation and standards. Please refer to the regional manual for province or territory-specific details.

2.3.3 In order to be eligible for reimbursement in accordance with provincial rates, foster homes, group homes and institutions, whether on or off reserve, must be licensed or regulated and monitored in accordance with provincial legislation and standards. **Letters of equivalency or letters of recommendation alone will not be accepted.**

2.3.4 Costs that may be billed to INAC under the Maintenance category, on behalf of Eligible Children in Alternate Care out of the parental home, are as follows:

- The provincially or territorially approved per diem rate in foster, group or institutional care for children placed out of the parental home under the FNCFS program. Standard provincial or territorial per diems normally cover food, clothing and shelter. Regional staff need to be aware of the provincial chart of accounts for all categories and know what is covered within the per diem rates.

- An activities allocation is usually included within the per diem, but, where this is not the case, recreational and other activity-related needs for children in care may be reimbursed according to provincial or territorial legislation, policy, practices and rates. Please refer to the regional manual for further details.

- In situations where other items are within INAC authorities and provincial and territorial legislation, but not included under the Chart of Accounts, they may be billed separately, provided they are properly documented.

- Non-medical specialized services to children with behavioural problems and specialized needs may also be covered provided the child has been diagnosed by a qualified professional as having a behavioural problem that is not caused by a medical condition (physical or mental). Examples of services are youth workers, parent aides and additional respite services.

- Psychological services for assessment and evaluation beyond that which is covered through the Health Canada Non-Insured Health Benefits (NIHB) program may also be provided in non-medical circumstances. Provincial standards will apply. This, however, does not include psychiatric services because they are insured services covered by the provinces and territories.

- Provincially or territorially approved purchases on behalf of children in Alternate Care not covered by other funding sources or other federal authorities. The authority for these charges would be provincial standards, although regional approval would be required in advance. An example of these would be school pictures, graduation costs, field trips from school not covered under the education program and counseling services beyond what is covered under the NIHB program.

- Provincial and territorial per diem rates for children in Alternate Care may be established to include professional services not covered through other sources of funding in accordance with provincial legislation and standards.

- Respite care to foster parents where not covered as part of the provincial or territorial per diem rate or not under the mandate of another federal authority. This is for social respite only. Medically oriented respite for children with complex medical problems are not eligible for reimbursement.

- Required non-medical travel for a child to parental visits, court appearances and other purposes not covered by other funding sources and as outlined in the legislation or policy of the reference province or territory. This does not include escorts who are agency staff persons because this is considered staff travel and is covered under Operations. If a foster parent is asked to be an escort in

these situations, these costs may be billed to INAC. Where the province or territory covers the cost of parental travel to visit a child in care, and where it is deemed to be in the best interest of the child to do so, payment is to be based on the actual cost of transportation or gas and should be the most economical or reasonable given the circumstances. Please refer to the regional manual for further details.

- For a child who is a permanent ward and reaches the age of majority as defined by the reference province or territory, a Recipient may continue to provide support beyond the age of majority provided the child is in the midst of an academic or other training program or is engaged in an age of majority plan. Such support may continue in accordance with the legislation and standards of the reference province or territory.

- When a Recipient is planning to return a child in Alternate Care to his or her custodial parents/guardians, the region may reimburse parent aide costs before the date the child is scheduled to return home in accordance with the legislation and standards of the reference province.

- Recipients who are managing the adoption program for permanent wards may continue foster care payments to the adoptive parents up to the date that the adoption becomes final. Payments must cease on that date. If the adoptive parents are on income assistance, the child will be included in their claim for assistance through the Income Assistance program. However, where an adopted child has a special need, support services may be continued in accordance with the legislation and standards of the reference province.

- Parents or guardians who are employed or who have income from sources other than Income Assistance will be expected to contribute to the support of children who have been taken into the care of a Recipient either as an apprehension or voluntary placement. Parental contributions will be in accordance with provincial legislation or regulations.

- Where it is established jointly by the Recipient and INAC that subsidized day care is not available from another federal, provincial or territorial funding source, the subsidy may be reimbursed in accordance with provincial or territorial legislation or standards.

- Expenses approved for special needs and items not included in the provincial Chart of Accounts may be made in accordance with the standards of the reference province or territory. They are to be approved on a case-by-case basis following the policy of the reference province or territory.

2.3.5 The following are not eligible for reimbursement:

- Insured health services, which are under the auspices of the provinces or territories.
- Where the mandate falls within the jurisdiction of another federal department or the provinces or territories, INAC will not be financially responsible. This would include costs related to medical requirements (Health Canada - see Section 2.5) and Young Offenders (Justice Canada and the provinces and territories).
- Costs related to children in the care of a Recipient, but who are incarcerated as a Young Offender.
- Where funding is being provided by another INAC program such as Education.
- Medical devices, or medically required renovations to houses, automobiles or other vehicles.

2.4 Children's Special Allowance

Children's Special Allowance is paid to a Recipient on behalf of a child where the child is in Alternate Care out of the parental home. Practices are different across Canada and in the different regions on how this is handled. Human Resources and Skills Development Canada (HRSDC) and Canada Revenue Agency (CRA) are currently reviewing this situation. A ruling will be communicated to INAC and Recipients in the near future. Adjustments may have to be made in the manner these payments are administered.

2.5 Non-insured Health Benefits (NIHB)

The Health Canada Non-insured Health Benefits (NIHB) program covers all Indians registered under the *Indian Act*, on and off reserve, for specified benefits not covered under provincially or territorially

insured health services. These benefits include dental, glasses, medical transportation, medical supplies and equipment, drugs and crisis intervention counselling. For further details on the NIHB program and coverage, please refer to Health Canada's Web page at http://www.hc-sc.gc.ca/fnihb-dgspni/fnihb/nihb. The NIHB program generally requires that all referrals be made by a medical practitioner, although there may be exceptions in some regions. Health Canada will generally not accept billings directly from Recipients. The correct procedure is for Recipients to refer the child to a medical practitioner who will then deal directly with the NIHB program. Under no circumstances will billings or referrals be accepted from Recipients directly. In situations where there are special circumstances and a proposal is required, these will have to be requested by a medical practitioner as well, not by the Recipient or a caseworker employed by the Recipient. In many cases, plans are rejected not because they are ineligible, but because the proper procedures were not followed.

2.6 Flexible Funding Option for Maintenance

2.6.1 Recipients may apply to enter a Flexible Funding Option provided they can meet the entry requirements as outlined in Annex E of Appendix A. Only those Recipients with a good management history will be eligible. Terms and conditions for entry and ongoing management are outlined in Annex E of Appendix A.

2.6.2 Flexible Funding Option for Maintenance (FFOM) provides increased flexibility in allocating Maintenance funding. While a standard Maintenance agreement is allocated in the form of Contribution funding (reimbursement of actual costs) for those children in Alternate Care out of the parental home, the FFOM is paid as a Flexible Transfer Payment. This allows the agency to reallocate savings in the Maintenance category into preventative services, thereby reducing the need to bring children into care.

2.6.3 Annex E of Appendix A outlines in detail the management regime to be followed in the initiation and ongoing management of FFOMs. It also outlines the procedures for annual adjustments and for renewal of the arrangements at the end of five years.

2.6.4 Agencies under the pilot programs on flexible funding must come under the new policy by April 1, 2005. To enter into an FFOM, the pilot agencies must follow the renewal process as outlined in Annex E of Appendix A.

3 Costing of Components

Note: In case of any discrepancy between this Chapter and the Program Directive 20-1, Chapter 5, Program Directive 20-1, Chapter 5 is to be used.

3.1 Development

3.1.1 PHASE 1: *Pre-planning*

- Funded at the rate of $11,101.06 per Recipient.
- An additional $1,665.16 per member band.

The funds are to be used for the purposes outlined in Section 2.1.3.

3.1.2 PHASE 2: *Planning*

- Funded at the rate of $88,808.48 per Recipient.

Funds are to be used in the manner described in Section 2.1.5.

3.1.3 PHASE 3: *Start-up*

A fixed amount per Recipient will be provided according to the following on reserve 0 - 18 child population reported annually by INAC's Lands Revenues and Trusts:

- Child Pop of 801 + = $185,387.70 per Recipient;
- Child Pop of 501 - 800 = $92,693.85 per Recipient;
- Child Pop of 251 - 500 = $46,346.92 per Recipient; and
- Child Pop of 0 - 250 = $0.

Plus each Recipient will receive 25% of the first year of Operational funding so that they may begin gradually implementing the program.

Funds are to be used in the manner described in Section 2.1.6. Calculation of the start-up amount will be based on the methodology outlined in Section 3.2.

3.2 Operations

The Operational formula is based on the on reserve population of children from 0 - 18 as reported annually by INAC's Lands Revenues and Trusts. These figures come from the statistics reported annually by bands from across Canada. The calculation of the Operational formula is done annually by Headquarters Finance Branch based on the December 31 population data of the year immediately proceeding the year being funded. (e.g. December 31, 2003 data would be used for fiscal 2004-2005 calculations.)

3.2.1 **Calculation of Formula**

An administrative allocation will be provided according to the following child populations:

- Child Pop of 801 + = $143,158.84 per Recipient;
- Child Pop of 501 - 800 = $71,579.43 per Recipient;
- Child Pop of 251 - 500 = $35,789.10 per Recipient; and
- Child Pop of 0 - 250 = $0.

3.2.2 In addition, Recipients will also receive:

- a fixed allocation of $10,713.59 for each member band in its Catchment Area; and
- an allocation of $726.91 for each child 0 - 18, as reflected in the Membership report each year.

3.2.3 An adjustment factor for remoteness is determined based on the same calculation for remoteness that is used for band support funding. The remoteness factor for each member band is averaged and a remoteness factor is arrived at for the Recipient. This is then used to adjust the funding as follows:

- the adjustment factor for remoteness is multiplied by $9,235.23 for each Recipient;
- the remoteness factor is multiplied by $8,865.90 times the number of bands within the Catchment Area; and

- the child population is multiplied by $73.65 times the remoteness factor.

3.2.4 The annual Operational formula, then, is the total made up of the administrative allocation, plus the allocation per member band, plus the allocation per child, plus the adjustments for remoteness outlined in 3.2.3. The Operational allocation covers those expenses outlined in Section 2.2.2.

3.3 Maintenance

3.3.1 There is no formula for paying Maintenance. Maintenance is paid in the form of a Contribution, which for FNCFS means a reimbursement of allowable expenses on a dollar-for-dollar basis. The items, which are permissible expenses under Maintenance, are as outlined in Section 2.3.4. Rates to be paid are those currently authorized by the reference province or territory in their legislation and standards and as reflected in their Chart of Accounts up to the maximum allowed in the Terms and Conditions (Appendix B) which in 2003 was $845.00 per child per day.

3.3.2 Maintenance expenses are to be reported to the regional offices on a monthly basis. Regions, in turn, are expected to conduct a reconciliation of these invoices to ensure that expenses comply with provincial rates and are permissible under current authorities. The reconciliation process will be discussed in greater detail in Chapter 6.

3.3.3 Maintenance is adjustable depending on provincial or territorial rates. If provincial or territorial rates for foster homes, group home and institutions increase, the rates paid by INAC will also be adjusted effective on the date set by the province or territory. Alternately, if provincial or territorial rates decrease, rates will decrease effective on the date set by the by the province or territory.

3.3.4 Expenses over and above the base rate set by the province or territory may be paid provided:

- they fall within the categories outlined in Section 2.3.4.;
- they are permissible under the provincial legislation and standards;
- are within the financial range acceptable to the reference province or territory; and

- are within INAC authorities as set out in Appendix B, SUMMARY OF PREVENTION AND PROTECTION SERVICES — CONTRIBUTION AUTHORITY, otherwise referred to as the Treasury Board approved Terms and Conditions.

3.4 Flexible Funding Option for Maintenance

3.4.1 Appendix A to this document presents the FNCFS Program Directive. Annex E of Appendix A outlines the methodology used to assess the readiness of Recipients to opt for the Flexible Funding Option for Maintenance (FFOM).

3.4.2 The methodology for determining the initial allocations for Recipients entering an FFOM is contained in Annex E of Appendix A, Section 6. It specifies that a compliance review must be done by the Recipient and the region. From this, a projection of year-end requirements will be determined. The allocation for year one will be arrived at by taking the projected year-end requirement and adjusting by the historical growth or reductions over the past three fiscal years. For greater clarity, the base year upon which the compliance review was conducted, is the final year of the three years upon which the calculation will be made. For further detail, refer to the document.

3.4.3 FFOMs will be reviewed annually by the Recipient and the region to determine that the objectives outlined in the initial proposal are being met. When a Recipient has been in an FFOM for five years, a renewal will be required. The renewal process is outlined in Annex E of Appendix A, Section 9. Recipients who have been in Flexible Funding pilot programs will comply with the Policy Directive as contained in Annex E of Appendix A. Recipients who do not comply with the Directive will return to Contribution funding.

4 Agreements

4.1 Requirement for Agreements

4.1 Current authorities require that, before entering into a funding arrangement with a Recipient, an agreement is in place between the province or territory and the Recipient that meets the requirements of INAC's national FNCFS policy. INAC policy requires that a tripartite agreement or a dual bilateral agreement must be in place. Although the preferred option is tripartite, for reasons of transparency and clarity regarding roles and responsibilities, dual bilateral agreements are also an option.

4.2 Tripartite Agreements

4.3.1 Tripartite agreements are to be developed between INAC, the Recipient and the reference province or territory. These agreements will not specify levels of funding, but will outline roles and responsibilities of the parties; items for which INAC is responsible both financially and programmatically; matters for which the reference province or territory is responsible both financially and programmatically; and areas for which the agency accepts responsibility.

4.2.2 Tripartite agreements will also specify the conditions under which funding will be provided by INAC and the province or territory and, wherever possible, the limits on the items that may be funded. Agreements may only be entered into when the reference province or territory has provided evidence that delegation has taken place in accordance with the legislation or standards of the reference province or territory. Agreements must not commit to programs and services that are beyond INAC's authorities to fund or in the manor in which INAC is authorized to fund them. They will demonstrate that professional liability insurance is in place in the amount required by the reference province or territory in its legislation or standards or by the Region in its procedures.

4.2.3 Circumstances may vary from province and territory to province and territory due to variation in provincial or territorial legislation and standards. However, the fundamental INAC authorities, as reflected in the revised Program Directive and the Treasury Board approved Terms and Conditions, must be followed.

4.3 Dual Bilateral Agreements

4.3.1 **Dual bilateral** agreements require that an agreement be in place between the reference province or territory and the Recipient. These agreements will specify the roles and responsibilities for the two parties, the areas for which the province or territory is financially and programmatically responsible and for which the Recipient is responsible. The terms and conditions of the mandate from the province or territory to the Recipient will also be clearly stated. A copy of the bilateral agreement and the mandating documents will be provided to the regional office.

4.3.2 Where dual bilateral is the agreement of choice, it is desirable, but not essential, that a bilateral agreement exist between INAC and the reference province or territory. This agreement should clearly spell out the roles and responsibilities of the reference province or territory and of INAC in the operations of the Recipient. It should also outline the areas within which each is financially responsible. Without a bilateral agreement between the reference province or territory and INAC, it is difficult to maintain transparency and a clear understanding of the roles and responsibilities of the parities.

4.4 Comprehensive Funding Arrangements (CFA)

4.4.1 The Treasury Board Policy on Transfer Payments (see Section 5.7 of this manual) requires that a funding agreement be in place before funding may be moved to a Recipient. In FNCFS, money may be moved from INAC to a Recipient using the Comprehensive Funding Arrangement (CFA). The CFA is a program-budgeted funding agreement that INAC enters into with Recipients for a one-year period. It contains components funded by means of a Contribution, which is a reimbursement of eligible expenses and Flexible Transfer Payments, which are formula funded. Surpluses from the Flexible Transfer Payment may be retained by the Recipient provided the terms and conditions of the CFA have been fulfilled. The FNCFS program expects that all surplus money will be used for FNCFS. It is also expected that Recipients will absorb any deficits. It is under the CFA that the terms and conditions of funding and the required deliverables are to be clearly spelled out.

4.4.2 Where a bilateral agreement exists between the reference province or territory and the Recipient, INAC may enter a CFA with an Recipient as the second part of the dual bilateral arrangement. Because there is no other bilateral agreement in place, roles and responsibilities as well as the funding detail *must* be clearly spelled out. Further, the issue of liability must also be dealt with in a similar manner to that outlined in the section on tripartite agreements.

4.4.3 Where the CFA is being used as a bilateral agreement between INAC and the Recipient, INAC must possess a current copy of the bilateral agreement between the province or territory and the Recipient as a condition of funding.

4.4.4 Where tripartite agreements are in place between INAC, the Recipient and the reference province or territory, a CFA will still be needed because this is the only way money may be moved to a Recipient.

4.4.5 The CFA for FNCFS is divided into two sections. Although all funding for FNCFS is considered Contributions, the Operational portion of funding is paid in the form of a Flexible Transfer Payment (FTP). This allows agencies maximum flexibility within the Operational allocation and allows the Recipient to retain surpluses from the Operational allocation provided terms and conditions have been fulfilled.

4.4.6 The Maintenance portion of funding is in the form of a Contribution. This reimburses the Recipient for eligible costs related to children in Alternate Care out of the parental home for expenses outlined in Section 2.3.4. Recently acquired authority, however, permits INAC to enter agreements with selected Recipients whereby the Maintenance allocation may be allocated in the form of an FTP. The methodology for this authority is outlined in Annex E of Appendix A.

4.4.7 A CFA is a legal document. Therefore, payment against a CFA may not be made until both parties have signed the CFA. Retroactive payments may be made at the discretion of the region when delays in signing are as a result of departmental delays.

4.5 Third-party Delivery

4.5.1 In the majority of cases, the CFA is directly between INAC and the Recipient, which is mandated to provide service. In cases where the Recipient is a chief and council or other organization (Alternate Recipient) and where this Alternate Recipient transfers program

funding to a third party (a mandated service delivery agent), the Alternate Recipient still retains primary responsibility for spending federal funds and performing the obligations under the CFA.

4.5.2 An agreement in writing between the Alternate Recipient and the mandated agency will have to be established. This agreement will set out the responsibilities of the parties and indicate the reporting requirements (see Sub-sections 2.1.1 to 2.1.4 in part C of the CFA to ensure consistency). The Alternate Recipient must ensure that the terms and conditions of the agreement and the INAC policy are met, that the third-party agency complies with provincial legislation and standards and that program and financial reporting is provided in a timely fashion as outlined in the CFA. In cases where Alternate Recipients transfer program responsibilities to a mandated agency, the Alternate Recipient must ensure that 100% of INAC funds provided on behalf of the mandated agency will be transferred to the agency.

4.6 Provincial and Territorial Agreements

4.6.1 In the majority of regions, First Nations coverage is not yet 100%. Where a FNCFS Recipient does not exist, provinces and territories are responsible for providing service to the entire on-reserve population. INAC has agreed to reimburse those items that have been agreed to in a federal-provincial-territorial agreement.

4.6.2 Regardless of any service agreements that may exist between INAC and the reference province or territory, funding arrangements are required to transfer funding to a Recipient. INAC is required to enter into funding arrangements on an annual basis in Ontario, where services are governed by the 1965 *Indian Welfare Agreement* between the Government of Canada and the Province of Ontario and Alberta, where services are governed by the 1991 *Arrangement for the Funding and Administration of Social Services* between the Government of Canada and the Province of Alberta.

4.6.3 The INAC-provincial-territorial funding arrangements will follow provincial or territorial legislation and standards, but also must be within federal authorities provided under the *Financial Administration Act*, the Treasury Board Transfer Payment Policy and the authorities provided to INAC by Cabinet and Treasury Board.

5 Mandatory Financial Requirements

5.1 Introduction

5.1 In addition to the authorities received from Cabinet and Treasury Board, the operation of the FNCFS program is governed by the terms of the *Financial Administration Act* (FAA) and the Transfer Payment Policy (TPP) of Treasury Board. For the purpose of this manual, however, we will deal only with a summary of those aspects of the FAA and the TPP that have a direct impact on managing the FNCFS program. We will also review the requirements under Chapter 5, Section 16 of INAC's Financial Management Manual from Corporate Services to ensure that all financial requirements have been considered. An understanding of these impacts will help users appreciate the need for reporting and compliance mechanisms, which can satisfy these requirements.

5.2 General Overview of Funding Arrangements (Not Specific to FNCFS)

5.2.1 INAC has developed two types of generic funding arrangements to use with First Nations that have not entered into their own self-government agreements: Comprehensive Funding Arrangements (CFA) and Canada/First Nation Funding Agreements (CFNFA). *Any change to the text of the agreements must be approved by Transfer Payments Directorate, Finance Branch, Headquarters.*

5.2.2 All INAC programs are covered together under a single funding arrangement with a First Nation. Individual First Nations will have either one or the other type of arrangement in place.

5.2.3 **Comprehensive Funding Arrangement (CFA)** - This is a program-budgeted funding arrangement that INAC enters into with First Nations for one year. CFAs contain programs funded by:

- **Contribution** is a conditional transfer payment to an individual or organization for a specified purpose pursuant to a Contribution Agreement that is subject to being accounted for and audited. Contributions would also include Alternate Funding Arrangements and Flexible Transfer Payments, which represent types of

Contributions that were developed for INAC to meet its unique program objectives.

- **Flexible Transfer Payments (FTP)** are based on a formula (surpluses can be kept as long as the terms and conditions have been met).

- **Grants** are a transfer payment made to an individual or organization, which is not subject to being accounted for or audited, but for which eligibility and entitlement may be verified or for which the recipient may need to meet pre-conditions. The FNCFS program does not have a Grant authority.

5.2.4 **Canada/First Nation Funding Agreements (CFNFA)** is a block-funded agreement that INAC enters into with a First Nation or Tribal Council for up to five years. It can include funding from other federal departments. This type of agreement is also called an *Alternative Funding Arrangement* or *Financial Transfer Agreement*. The CFNFA agreement contains a common set of funding terms and conditions in the main body of the agreement. The terms and conditions specific to each federal department are attached as schedules to the CFNFA.

5.2.5 The CFNFA is more flexible than the CFA. It provides First Nations with the ability to redesign programs and apply funds according to community needs, as long as certain specified minimum program requirements are met to ensure that a guaranteed level of service is provided.

5.2.6 The CFNFA encourages creative and innovative ways of providing programming because First Nations can use any money saved on other priorities within the community.

5.2.7 It should be noted that FNCFS funding cannot be included in the multi year block section of a CFNFA, although general principles and agreements relating to FNCFS may be included. FNCFS funding must be renewed on an annual basis.

5.3 Funding Authority

5.3.1 A funding *arrangement* is the contractual agreement signed between INAC and the Recipient. A funding authority is the *rules* established by Treasury Board that INAC must follow when funding a program or service.

Eligible Recipients

5.3.2 INAC arranges for the administration of funding for FNCFS services with the chiefs and councils of Indian bands recognized by the Minister of Indian and Northern Affairs Canada. Various funding options are available to chiefs and councils. Bands in the Northwest Territories and Nunavut are not eligible FNCFS program Recipients because there are provisions for these services in the territorial formula financing agreements.

5.3.3 **Third-party Agreements** - In some cases, where services are not administered directly by a band's chief or council, INAC may enter into agreements for service delivery or cost-sharing with other government agencies, private businesses or non-governmental organizations.

5.3.4 **Self-governing First Nations** - First Nations that have included child and family services in their self-government agreements are not eligible recipients for the purpose of this manual.

Flexible Transfer Payment

5.3.5 A Flexible Transfer Payment is based on a fixed amount rather than the reimbursement of eligible expenses. Recipients are expected to manage their agency or program within the fixed amount. As long as Recipients meet the minimum program requirements, Recipients can keep any surpluses. Deficits must be absorbed if there are cost overruns. FNCFS surpluses must be used within the FNCFS program.

5.3.6 The Recipient is accountable for providing the products or services specified in the funding arrangement. Program-specific reports are required during the year and at year-end.

5.4 Allocations to Regions

5.4.1 Program funds are allocated to the regions based on the national methodology. Each region is responsible for managing this budget and prioritizing how funds are allocated. Headquarters maintains a small reserve to fund provincial rate increases, and planned devolution.

Funding Allocations

5.4.2 **Maximum Amounts** - The maximum amounts payable under a CFA are set out in Appendix B, SUMMARY OF PREVENTION AND PROTECTION SERVICES - CONTRIBUTION AUTHORITY, otherwise referred to as the Treasury Board approved Terms and Conditions.

5.4.3 **Due Diligence** - INAC must have procedures and resources in place for ensuring due diligence in:

- approving funding amounts
- verifying eligibility and entitlement
- managing and administering the program.

5.4.4 **Approval** - Authority to sign and amend funding agreements is delegated to directors responsible for these programs.

5.4.5 **Basis and Timing of Payments** - Payments will be made according to Appendix B, SUMMARY OF PREVENTION AND PROTECTION SERVICES - CONTRIBUTION AUTHORITY, otherwise referred to as the Treasury Board approved Terms and Conditions.

5.5 Regional Exceptions

5.5.1 The following areas have unique funding arrangements. Further information will be available in the regional manuals:

5.5.2 **Ontario** - In Ontario, INAC provides funding under the 1965 *Indian Welfare Agreement*. For FNCFS, the Province of Ontario administers the CFS program and determines agency budgets. INAC reimburses the Province based upon the provisions of the 1965 *Indian Welfare Agreement*. Any amendment of the agreement requires INAC to obtain an Order in Council authorizing the Minister of Indian Affairs and Northern Development to sign the amendment on behalf of Canada. INAC may be required to submit a Treasury Board Submission to obtain the Order in Council.

In 2003, the maximum amount of funding for a federal-provincial cost-sharing arrangement to provide services to First Nations in Ontario is $240 million. Ontario invoices INAC for the provincial share following the agreement's provisions. Ontario must provide a cash flow forecast for the coming fiscal year. Once the estimated budget is approved,

INAC pays a one-month cash advance to cover immediate requirements at the beginning of the fiscal year, with monthly installments thereafter. Each advance includes a 10% holdback, which accumulates and is paid out after the annual provincial audit of the program is completed.

5.5.3 **Alberta** - In Alberta, under the 1991 *Arrangement for the Funding and Administration of Social Services*, INAC reimburses the Province for social services that Alberta delivers to First Nations individuals Ordinarily Resident on Reserve. Alberta's Deputy Minister is responsible for signing any amendments to the arrangement.

Alberta must provide a budget of projected expenses before the start of the fiscal year. Payments are made to the Province monthly, based on invoices submitted to INAC and in accordance with the funding provisions in the agreement.

5.5.4 **Yukon** - Yukon and INAC have entered into an agreement over funding of Status and non-Status Indians. INAC funds Status Indians and the Yukon funds non-Status Indians. Also, all residents in the Yukon are considered to be Ordinarily Resident on Reserve.

5.6 The *Financial Administration Act* (FAA)

For the purpose of this manual, the focus will be on Sections 32, 33 and 34 of the *Financial Administration Act* (FAA) because these have the most direct impact on the operation of FNCFS and other social programs. They reinforce the necessity of preforming adequate compliance in a timely fashion.

5.6.1 **Section 32 of the FAA** requires that no contract or arrangement requiring a payment shall be entered into unless it is certified that there is an appropriation from Parliament to which the payment may be charged. Further, that there is a enough unencumbered balance available to cover the expense. A Responsibility Centre Manager (RCM) is designated and has the responsibility to ensure that these conditions are met and that an Approved Authority exists for the activity before a commitment is made to fund a program or service. Once the RCM has signed under Section 32, he or she may be held accountable in the event that enough funds are not available and/or that an authority does not exist.

5.6.2 **Section 34 of the FAA** requires that an expense is not authorized until it has been verification that goods and services have been received. An RCM will be required to sign as confirmation that, in fact, the terms of the agreements have been met and that verification has been done on the reported activities. For FNCFS, this requires that Maintenance invoices, which are reimbursable as a Contribution, have been reconciled and that the expenses being billed are in fact for an eligible child, within Approved Authorities and in line with provincial or territorial rates. For Operations, reports must be received semi-annually and be in good order. When the RCM places his or her signature on the document, he or she is certifying that, in fact, proper verification has been done and that goods and services have been received in accordance with the terms of the funding arrangement.

5.6.3 **Sections 32 and 34**. RCMs may be the same Director or they may be different depending on the organizational structure of the region.

5.6.4 **Section 33** provides for the authorization of payment to the client or client group. The Financial Officer will receive the requisition signed by the RCM(s) under Section 32 and Section 34 verifying that the money is available, the matter is within Approved Authorities and that goods and services have been received. The Financial Officer will then sign the requisition approving the release of funds and send it for payment.

5.6.5 The implications that emerge, particularly from Section 34, must be seriously considered. The only way the requirements of Section 34 can be met for FNCFS Maintenance is if regular compliance is done on a month-to-month basis. This is the only way that receipt of goods and services (reimbursement of expenses that are within INAC authorities) can be verified. Reimbursement simply on the basis of having received an invoice is contrary to Section 34 and could put the RCM, who signs under Section 34, at risk of breaching the FAA.

5.7 Treasury Board Policy on Transfer Payments (PTP)

For the purpose of this manual, the focus of this section will be on Section 7.6 of the Policy on Transfer Payments (PTP), "Cash Management Policy: Installments of Grants and Advance Payments of Contributions" and the Policy on Transfer Payments, Appendix B ii, "Advance payments of contributions"). These are the most relevant sections because they outline the policy on advance payments for Contributions as practised in FNCFS.

5.7.1 CFAs, which include Contributions, are based on Treasury Board-approved terms and conditions for the program and reflect the principle that transfer payment assistance is provided for projects only at the minimum level to help reach the stated program objectives and expected results.

5.7.2 For FNCFS, Contributions are to be paid as a reimbursement of eligible costs incurred as in Maintenance or as an FTP for Operations and Developmental funding. However, where it is essential to the achievement of program objectives and specifically provided for in the agreement, advance payments of the government's share of allowable expenses may be made.

5.7.3 Under the PTP, departments must base any provision for advance payments of a Contribution on sensible cash management principles; that is the amount of each advance should be limited to the immediate cash requirements based on a monthly cash flow forecast from the Recipient that takes into account any outstanding advances.

5.7.4 In order to reduce the risk of over payments, a portion of a Contribution should only be paid following a satisfactory accounting for the Contribution by the Recipient. This would require that the department verify that the expenses were within authorities and the agreements.

5.7.5 Appendix B of the PTP places limits on the amount of funds that may be advanced under Contributions. Section 7.6.3 of the PTP requires departments to reduce the risk of overpayments by withholding a portion of the Contribution until the Recipient has done the final accounting of the Contribution.

5.7.6 INAC has received an exception from Treasury Board for the holdback provisions of Sections 7.6.3 and 7.6.4 of the PTP for the FNCFS program.

5.7.7 These exceptions were granted by Treasury Board on the understanding that Contribution funding would be based on information that had been verified to be within authorities; on behalf of Eligible Children and families; and for eligible expenses. Failure to meet these pre-conditions could place the exception in jeopardy. Should the exception be lost, it would force regions to implement holdbacks on all Contribution funding (including Flexible Transfer Payments). This could result in FNCFS agencies incurring interest charges to cover the expenses represented by the amount of the holdback. This could place some Recipients in a tenuous position because it would restrict their cash flow.

5.8 Corporate Services Financial Management Manual (FMM)

5.8.1 FMM Volume 3, Financial Policies and Procedures Manual, Transfer Payments Chapter 5, Section 16, "Funding Agreements - Management Control Framework for the Receipt of Reporting Requirements" outlines how INAC moves money is to Recipients. This applies to all INAC programs and services including FNCFS. The requirements under the FMM are outlined in the following sections.

5.8.2 For Maintenance, which is funded as a Contribution, a budget is developed at the beginning of a fiscal year based on verified expenses from the previous fiscal year and anticipated expenses for the new fiscal year.

5.8.3 Maintenance funding would then be advanced on a monthly basis taking into consideration the level of expenses claimed in the reports received from the Recipients. Once reports have been verified, in accordance with the FMM, adjustments would be made to the subsequent month's advance to bring the total amount advanced in line with the year to date actual eligible expenses.

5.8.4 For Maintenance, it is a requirement of the FMM that the Recipient submit monthly invoices within 15 calendar days of month end. The region is then required to conduct an initial review of the invoice within 15 calendar days of receiving the invoice from the Recipient.

5.8.5 A final reconciliation is required within 30 calendar days of receiving the invoice. If received on time, this allows a total of 45 calendar days as the period of time within which a final reconciliation of Maintenance invoices will be completed.

5.8.6 For Operations, which is funded as a Flexible Transfer Payment, the cash flow does not require monthly verification because it is funded according to a formula (see Section 3.2). The Recipient is required to provide reports twice per year, effective September 30 and March 31 as outlined in Chapter 6, Section 6.2. These reports should clearly indicate that the terms and conditions of the agreement have been met and that the Recipient continues to provide the service for which it is mandated.

5.9 Implications for Social Services Including FNCFS

5.9.1 The Treasury Board PTP stipulates that in order to process payments, the department must have procedures in place to meet the requirements of Section 34 of the FAA. More specifically, regions must verify that goods and services have been received and that the terms and conditions of a funding agreement have been met before processing a payment.

5.9.2 Programs, including FNCFS, may advance more than one month's funding if it is felt that it is required by a Recipient for purposes related to ongoing programming. This is an exception, however. The failure to provide adequate compliance could place this exception in jeopardy.

5.9.3 The FMM requires that final reconciliation of Maintenance invoices must be done within 30 calendar days of receiving the month-end invoices. If received on time, this means a total of 45 calendar days from month end (see Section 5.6.e). Any required adjustments arising from the reconciliation of invoices from month one must be made on the month three payment. Failure to meet these time frames are a breach of the FMM and cannot meet the requirements of the Policy on Transfer Payments.

6 Reporting and Compliance

6.1 Introduction

As indicated in previous chapters, reporting and compliance is a major component of effective program management. Without measures taken to demonstrate that the terms and conditions of agreements have been met and that INAC is paying for services that are within its authorities, it would be difficult to present a case for ongoing funding. The requirements outlined in this manual, are the minimum requirements. Regions may have other conditions that are regionally specific and essential to the successful operation of the program.

6.1.1 FNCFS Recipients must submit annual financial statements as set out in Chapter 5.17 of the FMM. These statements must be submitted within 120 calendar days of the end of the fiscal year. These financial statements must be conducted by an independent auditor.

6.2 Operations

As indicated in Chapters 2 and 3, the Operations portion of INAC's FNCFS funding is provided in the form of a Flexible Transfer Payment, which allows the Recipient to retain surpluses provided that the terms and conditions of their agreements have been met. It is also expected that Recipients will absorb any deficits.

6.2.1 **Protection Services:** The Recipient shall provide a report on September 30 and March 31, which shall be submitted to a regional office by the 15th day of the following month of each fiscal year. **The report, which will follow the Program Directive, shall contain the information as outlined in the First Nations Reporting Guide.**

6.2.2 It has been suggested that the information requested in the Reporting Guide is outdated and needs to be revised. One of the tasks that may be undertaken by the National Advisory Committee on First Nations Child and Family Services is to recommend revisions to the Directive that would make the information gathered more relevant to FNCFS. Some information that may be considered is:

- a list of services provided;
- the number of families for whom protection services have been provided without having to bring the children into Alternate Care;
- the number of families in which child protection intervention resulted in the placement of children in Alternate Care;
- the number of families in which parent aide services were used for child protection purposes;
- the average length of stay for children in Alternate Care by age;
- reasons for children coming into care (neglect or abuse);
- the current number of trained or approved foster homes;
- the number of children placed in off-reserve resource; and
- the number of approved adoption homes (if relevant in the reference province or territory).

6.2.3 **Prevention Services:** As with Protection Services, the Recipient shall provide a report on September 30 and March 31, which shall be submitted to the respective regional office by the 15th day of the following month in each fiscal year. **Reporting, as is done in Protection Services, shall follow the First Nations Reporting Guide**.

6.2.4 As with Protection Services, the Reporting Guide needs to be reviewed and may be discussed with the National Advisory Committee. Some of the points for inclusion, which may be considered, are:

- a list of services provided;
- legislated or discretionary services;
- the amount being spent on prevention compared to protection;
- number of families receiving service for each of the service areas provided;
- the number of children included in the families served (for each of the services provided);

- the number of community-based child and family services committees currently active;
- the number of Elders committees currently operating;
- the number of public information, education-related sessions and workshops held during the period; and
- the types of workshops held and the number of people attending.

6.3 Maintenance (General Considerations)

6.3.1 As indicated in Chapters 2 and 3, Maintenance is provided as follows:

- for standard Contribution funding, it is a reimbursement of eligible expenses for an Eligible Child taken into Alternate Care whose Custodial Parent is Ordinarily Resident On Reserve;
- for Recipients who are approved for entry into a Flexible Funding Option, it is in the form of a Flexible Transfer Payment, as is the Operational allocation.

6.3.2 For Contribution funding, Recipients are required to submit a monthly invoice for expenses for an Eligible Child in Alternate Care out of the parental home. Regions will then do a reconciliation of these invoices as outlined in Section 6.4. Timely completion of these reconciliations (within 45 calendar days as outlined in Section 5.8.5) will enable regions to accurately forecast their Maintenance requirements and to fulfill the requirements of Section 34 of the FAA.

6.3.3 For Recipients in a Flexible Funding Option (FFOM), the levels of funding are pre-determined in accordance with the methodology outlined in Annex E of Appendix A. There is still a requirement, however, for FFOM Recipients to submit quarterly reports outlining the numbers of children in Alternate Care and the activities funded through reinvestment (see Annex E of Appendix A).

6.3.4 For all Recipients, there is also a requirement for on-site reviews. These reviews must be conducted at least once every three years. If Recipients show large variances in their Maintenance reporting, an on-site review will become essential at more frequent intervals.

6.4 Contribution Funding of Maintenance (In-office Reconciliation)

Recipients whose Maintenance is funded by a Contribution are required to submit monthly invoices within 15 calendar days of the end of the month. These are reimbursed on the basis of allowable expenses for each Eligible Child in Alternate Care out of the parental home. The required components of the process for reconciling Maintenance Contributions is outlined below.

6.4.1 Upon taking a child into Alternate Care out of the parental home, the Recipient will submit to the region a notification of their action in accordance with established regional practice. This notification will identify:

- the child and his or her parents along with the relevant status number(s);
- whether or not the custodial parent/guardian was Ordinarily Resident On Reserve at the time of placement;
- the birth date and gender of the child;
- whether the placement is an apprehension, a voluntary placement or a private placement under provincial or territorial legislation and standards and the level of care which the child is deemed to require; and
- if the rate is above the basic provincial or territorial rate, a statement signed by a qualified social worker in the employ of the Recipient confirming the level and rate required.

The form of notification may vary from region to region. In some regions it may be a copy of the provincial or territorial notification form and in others, it may be a separate form or included in the first month invoice. It may be hard copy or electronic.

6.4.2 Regional staff review the notification and determine whether or not the child in question is a federal responsibility. The child is a federal financial responsibility if:

- the child is registered or eligible to be registered;

- the custodial parent/guardian was Ordinarily Resident On Reserve at the time of coming into care; and
- the child is under the age of majority in the reference province or territory.

6.4.3 The process for reconciliation will differ from region to region, but the basic requirements are:

- The Recipient will submit an invoice to the region by the 15th calendar day following the end of the month. The invoice will be in accordance with the First Nations Reporting Guide.
- The invoice will identify the child for whom the region is being billed and will itemize the charges on behalf of the child.
- Regional staff will verify the child's name with the approved notification forms and verify that the child is a federal financial responsibility.
- If the invoice appears to be in order, the region will, within 15 calendar days of receiving the invoice, advise the Recipient of its acceptance.
- The claim will then be verified. The charges will be examined and, if in line with the provincial or territorial per-diem rates for the level of care for which the child has been assessed, approval will be given.
- Where charges exceed the approved per-diem rate, the Recipient must itemize the additional charges and justify them.
- The region will then determine if these additional costs are in line with INAC authorities for Maintenance (see Chapter 2, Section 2.3).
- If they exceed INAC authorities or are felt by the regional officer to be excessive, the regional officer must reject that portion of the claim that is in dispute and advise the Recipient accordingly, including the reasons for rejection.
- If there are outstanding questions regarding some of the charges, the Recipient may resubmit in future monthly billings.

- Verification is to be completed within 30 calendar days of receiving the invoice or 45 calendar days from the end of the month if the report has been submitted on time (see Section 5.8.5).

- The region will have a process for sign off under Section 34 of the FAA for the approved amount.

6.4.4 For provinces and territories, which are delivering services on reserve, the same process applies. If the provincial or territorial practice is to bill on a monthly basis, the reconciliations must be done monthly. If the province or territory bills on a quarterly basis, the reconciliation would be done quarterly.

6.4.5 For the Province of Ontario, which provides direct funding to FNCFS Recipients, reconciliations are regularly done by the Province. Ontario will share the results of their reconciliation activities with the Ontario regional office.

6.5 Contribution Funding of Maintenance (On-site Reconciliation)

6.5.1 Periodic on-site reviews are an essential component in effective compliance. Although not conducted on a regular basis, each Recipient must be reviewed once every three years to ensure that proper records are being kept and that information contained in the monthly invoices are, in fact, accurate. Wherever possible, joint on-site reviews should be conducted with the province.

6.5.2 For Recipients experiencing difficulties, reviews may be required on a more regular basis. (See Appendix C, Child and Family Services Compliance Review Process and the First Nation National Reporting Guide.)

6.5.3 The purpose of the on-site review is to:

- confirm client eligibility;

- enable INAC to meet its accountability responsibilities to Parliament for spending public funds under Section 34 of the FAA (see chapter 5);

- determine and ensure compliance with provincial rates subject to Treasury Board-approved maximum amounts; and

- provide support to the Recipient and to the region for the effective and efficient operation of FNCFS.

6.5.4 The review team may be composed of INAC employees in partnership with the Recipient and provincial or territorial authorities, a third-party consultant, Consulting and Audit Canada or other suitable persons. The review should try to be inclusive wherever possible to ensure that the Recipient is fully involved. Wherever possible, the reference province or territory should be involved in the process.

6.5.5 The review will ensure consistency in the invoicing process and will involve four distinct activities:

- **Review of case files**: This is to be done by taking (as a minimum) a sample of case files in line with the options outlined in Section 8.2 of Appendix C. The sample must be large enough to give a clear picture of the operation. The list of items that should be included in the case files is outlined in the review process described in Section 8.2 of Appendix C. Likewise, the focus of the case file review and the intended outcomes are included in that section.

- **Review of foster parent files**: The sample should be selected as above. There is also a description in Section 8.2 of Appendix C of the components that should be contained in a foster parent file. The intended focus and outcome of the foster parent file review are outlined.

- An **administrative review** of the office practices of the Recipient and the accounting for payments made on behalf of eligible clients. Section 8.2.c of Appendix C outlines the components to be evaluated in an administrative review. The components may not be all-encompassing and the region may wish to add to this list of requirements.

- A **review of group homes and institutions** to ensure that the facilities are licensed/regulated in accordance with provincial or territorial standards and rates. The outline of items to be evaluated are contained in Section 8.2.d of Appendix C.

Note of clarification: For case and foster parent files, individual provincial practices may vary; however, INAC staff should only require access to those files (or information from them) required to verify the eligibility of the child and or the caregiver for reimbursement following the Treasury Board approved program Terms and Conditions. If INAC staff cannot certify that the child or caregiver are eligible under the

Treasury Board approved Terms and Conditions, INAC will not be able to authorize payment under Section 34 of the *Financial Administration Act*.

6.5.6 Once the review has been completed, there will be an on-site debriefing of the Recipient and chief and council, if appropriate. Where possible, the province or territory should also be included in the debriefing. Written confirmation of the findings will be provided to the Recipient within a reasonable time frame (not to exceed 60 days) following completion. Wherever possible, Recipients will correct the findings immediately.

6.5.7 If the Recipient cannot rectify the findings at time of the on-site review, a plan should be jointly developed to address the issues raised in the review. A second joint review may be required using the same methodology, but covering only the unresolved areas identified in the first review.

6.5.8 In the Province of Ontario, which directly funds FNCFS Recipients, on-site reviews will be done in accordance with the Province's terms and conditions. The results of such reviews will be shared with INAC's Ontario regional office.

6.6 Flexible Funding Option for Maintenance (FFOM)

Recipients, which have been approved for the FFOM option of Maintenance, will be subject to the terms and conditions outlined in Annex E of Appendix A. These Recipients will report quarterly.

FFOM Recipients will continue reporting on the number of children in care each month and the cost for each child. In addition, they will report on the use and the amount of re-investment money; money that has been successfully re-profiled from supporting children in Alternate Care to prevention services.

7 Definitions (Glossary of Terms)

The definitions contained in this glossary apply only to First Nations Child and Family Services

Alternative Funding Authority (AFA): – An authority whereby an Eligible Recipient receives multi-year funding in the form of a fixed allocation. Although FNCFS is excluded from AFA arrangements, it may be included as a targeted, non-core item under an AFA arrangement provided it is renewed annually.

Age of Majority – The age at which a person is considered to be an adult under the law of the relevant province or territory.

Age of Majority Services – Where a child is in the care of a FNCFS Recipient and is engaged in an educational or treatment plan at the time of reaching the age of majority, the child may remain in care until the plan is completed.

Alternate Care – Placement of a child out of the parental home in a foster home, group home, institution or in an independent living arrangement. This does not include children under the Children Out of Parental Home (COPH) program of Income Assistance.

Alternate Recipient– An Eligible Recipient that does not hold the mandate for the delivery of FNCFS, but receives INAC funding for this purpose and subsequently provides the funding to a mandated service deliverer. See Section 4.5.

Approved Authorities– INAC policy authorities received from Cabinet and the funding and program authorities received from Treasury Board as reflected in the revised Program Directive (APPENDIX A).

Band Council Resolution (BCR) – A resolution passed by a quorum of a Council confirming a decision.

Case Plan – A plan developed by a Recipient when a child needs protective services.

Catchment Area – The geographic area for which the reference province or territory grants a mandate to a FNCFS agency or other Eligible Recipient.

Chart of Accounts – The goods and services included in the per diem being charged by a province or territory for providing Maintenance.

Chief and Council – The leadership of a band as defined in the *Indian Act*.

Child at Risk – A child who is deemed to be at risk of neglect and/or abuse in accordance with the legislation and standards of the reference province or territory.

Child in Care – A child taken into care in accordance with provincial or territorial legislation and standards. This includes children in Alternate Care or children in care, but remaining in their own homes.

Children out of the Parental Home (COPH) – A short-term private arrangement between the parent of a child and a third party (usually a relative) for the care of a child. Where the parent does not have the resources to provide support on behalf of the child, an allowance may be paid to the third party out of Income Assistance in order to help pay the child's expenses. COPH is not to be seen as a mechanism to address protection concerns. **COPH falls under the Income Assistance program.**

Compliance Review – A review of the administration, operation and expenses of the FNCFS program administered by the Recipient to ensure that the program is being delivered in accordance with INAC's policies, which reflect Treasury Board and Cabinet authorities.

Contribution Funding – Contribution funding for FNCFS applies to Maintenance billings. These are paid in the form of a Contribution, which means a reimbursement of allowable expenses on a dollar-for-dollar basis.

Comprehensive Funding Arrangement (CFA) – A one-year funding arrangement with an eligible recipient containing programs funded by contributions, flexible transfer payments or grants, where applicable.

Custodial Parent – The mother of a child if she has sole custody. The father of a child if he has sole custody. If the parents have joint custody, the parent with whom the child resides most often.

Dual Bilateral Agreements – These are agreements between INAC and the Eligible Recipient and/or between the Eligible Recipient and the reference province or territory. These agreements outline the roles and responsibilities of the parties and clearly define the services offered.

Eligible Child – A child who is registered in accordance with the *Indian Act* or who is eligible to be registered according to the *Indian Act* and whose custodial parent is Ordinarily Resident On Reserve. In circumstances where the reference province or territory does not pay for Indians on reserve, only the Ordinarily Resident clause will apply.

Eligible Recipient (Recipient) – Organizations that have been mandated by the reference province or territory to provide FNCFS to on-reserve residents. Recipients may include FNCFS agencies, chiefs and councils or other organizations created to deliver mandated FNCFS services. This includes all provinces and the Yukon Territory, except Ontario, which is under the 1965 agreement, and the Northwest Territory and Nunavut, where provisions for these services are included in the territorial financing agreements.

***Financial Administration Act* (FAA)** – Federal legislation covering the financial administration of the Government of Canada, establishment and maintenance of the accounts of Canada, and the control of Crown corporations.

First Nations Child – In terms of the FNCFS program, a First Nations Child refers to an Indian Child. See definition for "Indian".

First Nations Child and Family Services (FNCFS) – The program designed to support culturally appropriate prevention and protection services for Indian children and families resident on reserve, in accordance with the legislation and standards of the province or territory of residence as outlined in the Program Directive (Appendix A) and this manual.

Flexible Funding Option for Maintenance (FFOM)– An option that allows Maintenance to be funded as a Flexible Transfer Payment. The methodology for entry into an FFOM is contained in Annex E of Appendix A.

Flexible Transfer Payment (FTP) – A conditional transfer payment made for a specified purpose where a fixed amount of funds is allocated to a Recipient, usually on the basis of a pre-determined formula. Recipients are expected to manage within the fixed amount. Recipients

may keep unspent balances as long as the program terms and conditions have been fulfilled. Surpluses must be spent in an approved manner. Deficits are the responsibility of the recipient.

Foster Home – An alternate family residence, regulated in accordance with the standards of the reference province or territory, where a First Nations Child may be placed when it is determined he or she needs protection and requires an alternate care arrangement as determined by the Case Plan developed by the Recipient.

Group Home – An alternate residence, regulated in accordance with the standards of the reference province or territory, which may accommodate several children in a setting that is more formal and structured than a foster home and where it is felt the child may need more intensive care as determined by the Case Plan.

Guardian – The guardian of a child as defined under the legislation of the reference province or territory.

Indian – "Indian" means a person who, pursuant to the *Indian Act* (R.S., 1985, c. I-5, s. 2), is registered as an Indian or is entitled to be registered as an Indian.

Institution – An alternate residence, regulated in accordance with the standards of the reference province or territory, which may accommodate larger numbers of children in a setting that is designed to provide more intensive intervention for children who need more intensive care as determined by the Case Plan.

Maintenance Funding – Funding provided to a Recipient either as a reimbursement for the actual costs of children in Alternate Care (Contribution) or in the form of a Flexible Transfer Payment for Recipients who have applied for and been approved to enter into an FFOM. See Section 2.3 on Maintenance.

Mandate – Authority granted by a province or territory for a Recipient to deliver FNCFS services in accordance with the relevant provincial legislation.

Memorandum to Cabinet (MC) – A proposal addressed to Cabinet seeking to obtain or change policy authorities for the operation of programs or services.

National Advisory Committee on FNCFS (NAC) – Following completion of the report of the Joint National Policy Review on FNCFS (NPR) in 2000, a National Advisory Committee, made up of First Nations and INAC representatives, was created to follow up on the NPR recommendations and make recommendations on their implementation.

Operations Funding – Funding provided to a Recipient in the form of an FTP for the purposes of service delivery as outlined in Section 2.2.

Ordinarily Resident on Reserve – Refers to children whose custodial parent/guardian, although they may be absent for a period of time for purposes related to education, health or other services that are unavailable in the reserve community where the child lives, maintain their primary residence on reserve. See Terms and Conditions, Application Requirements (Appendix B) for a full description.

Prevention Services – Services designed to reduce the incidence of family dysfunction and breakdown and to reduce the need to take children into Alternate Care.

Program Directive 20-1 CHAPTER 5 (Program Directive) – The INAC national policy statement on FNCFS (see Appendix A).

Program Authorities – Treasury Board decisions that govern a program. This authority is reflected in the Program Directive (see Appendix A) and in this manual.

Protection Services – Legislated services designed to protect children from neglect and abuse as provided by a provincially mandated FNCFS Recipient.

Reference Province or Territory – The province or territory within which a specified Recipient is located.

Reserve – A tract of land, the legal title to which is vested in Her Majesty, that has been set apart for the use and benefit of a band, as defined in the Indian Act.

Responsibility Centre Manager (RCM) – The manager who has authority delegated by the Minister of the relevant department of the Government of Canada to ensure that the requirements of the *Financial Administration Act* have been met.

Tripartite Agreements – Agreements between INAC, Recipients and the reference province or territory. These agreements outline roles and responsibilities of the parties and clearly define the nature of services to be provided. These agreements may be for a specific term or be open ended provided adequate provision is included for termination with reasonable notice. For a sample, please refer to APPENDIX D (to be added at a later date).

Appendix A: Program Directive Chapter 5 Social Development PD 5.1

First Nations Child and Family Services (FNCFS)

1.0 Purpose

This Directive states Indian and Northern Affairs Canada's (INAC) policy regarding the administration of the First Nations Child and Family Services Program.

2.0 Authority

This Directive is issued as a follow-up to Cabinet and Treasury Board authorities granted in 2003.

3.0 Issuing Authority

This Directive is issued under the authority of the Assistant Deputy Minister of Socio-Economic Programs and Policy.

4.0 Scope

This Directive applies to all employees, both at INAC Headquarters (hereafter, Headquarters) and in the INAC regions (hereafter, region or regions), in the carrying out of the department's functions regarding the funding and support of child and family services on reserves.

5.0 Responsibilities

5.1 Except where otherwise indicated, this Directive will be implemented by the Regional Director General.

5.2 The responsibility for approving developmental plans and new funding lies with Headquarters Finance Branch in cooperation with the Social Policy and Programs Branch at Headquarters.

5.3 The Social Policy and Programs Branch is responsible for interpreting this Directive and for inserting any necessary changes.

6.0 Principles

6.1 The department (INAC) is committed to expanding First Nations Child and Family Services on reserve to a level comparable to the services provided off reserve in similar circumstances. This commitment is independent of and without prejudice to any related right that may or may not exist under treaties.

6.2 INAC will support the creation of First Nations designed, controlled and managed services. It is committed to working toward ensuring that every First Nations person resident on reserve has access to services that are designed, controlled and managed by First Nations.

6.3 INAC is committed to ensuring that this policy will be consistent with First Nations aspirations toward self-government. INAC views this policy as a step toward realizing these aspirations.

6.4 INAC will support the development of First Nation standards for those services. It will work with First Nations organizations to encourage their adoption by provinces and territories.

6.5 This expansion of First Nations Child and Family Services (FNCFS) will be gradual as funds become available and First Nations are prepared to negotiate the establishment of new services or the take-over of existing services

6.6 Provincial child and family services legislation is applicable on reserves and will form the basis for this continued expansion. It is expected that the provinces will be a party to agreements.

6.7 INAC will only fund child and family services service providers that have been mandated by the reference province. INAC will also fund a First Nation recipient that is not mandated by the reference province provided that the First Nation has a service agreement for child and family services with a service provider mandated by the reference province or the province, and transfers 100% of INAC funding for child and family services to the mandated service provider.

7.0 Developmental Activities

7.1 INAC will fund the development of new FNCFS organizations as follows:

(a) *Pre-planning*: This activity will support community consultation, data collection and information gathering enough to prepare an initial community proposal and preliminary discussions with the province or territory and INAC. It should produce a detailed plan (direction and services wanted and how they intend to achieve this), and Band Council Resolutions indicating community support for developing FNCFS.

(b) *Planning*: This activity will support all the work leading up to and including a formal agreement between the parties (province or territory, INAC and First Nations groups) for the start up of a new organization. It will include needs assessment, identification of respective roles and responsibilities, description of services and delivery mode, elaboration of personnel policies (that is, organization chart, job descriptions, etc.) and financial policies (that is, accounting system, etc.), description of an implementation plan, funding arrangements, etc.

(c) *Start-up*: This phase will include hiring staff, establishing the office(s), purchasing equipment and furniture, setting up, orienting and training local committees and board of directors as well as initial staff training.

7.2 *A pre-condition for moving from one developmental phase to another, is completing the previous phase*. This funding will be provided only once for each phase to each group and or band. Funding for the pre-planning and planning phases can be incorporated in the Comprehensive Funding Arrangement (CFA) of the band, the tribal council, or agency and will be considered to be a Flexible Transfer Payment (FTP). The start-up funding will form part of a separate contribution agreement, as well the ongoing operating budget.

8.0 Scale of Organizations

8.1 Each organization should serve at least 1,000 children (0-18 years of age). It is realized that in certain circumstances this may be impossible. INAC is ready to consider exceptions to help potential organizations that would serve less than 1,000 children.

(a) *Grounds for Exceptions*:

(1) *isolation and remoteness*: the distance between bands that would otherwise work in cooperation is so great that efficiency would not be achieved by following the policy;
(2) *cultural contrast*: extreme cultural differences would not lead to effective working relationships; or
(3) *existing groupings*: some bands are already cooperating in administering and delivering other programs. It would be essential to acknowledge the same grouping in order to create an efficient FNCFS organization.

9.0 Delivery Options

The funding level proposed in Section 19 covers providing a full range of child and family services (protection and prevention). When it comes to the delivery of these services, the First Nation groups that will be setting up a new organization could decide to deliver only part of the services (that is, prevention) and decide to have someone else deliver the balance of services (that is, the province, another Indian organization or a private group that has the delegated authority). The group may also decide to start delivering the services on a gradual basis: for example, prevention in the first year, protection in the second year and adoption in the third year of operation. In this case, the province or one of its agencies would continue to provide the other services until the new FNCFS organization has assumed them, and would be paid from the total allocation. All of these options and other variations are acceptable so long as the agreement clearly indicates who will do what at any given time and so long as all services are provided within the allocated budget (according to the funding formula).

10.0 Evaluation

10.1 INAC believes that any new FNCFS organization needs to review its progress as it matures. For this reason, INAC will provide a contribution (FTP) of $30,600 to each new organization in its third and sixth year of operation to complete an internal review of its operation in order to identify weaknesses and strengths and to plan any desired improvements to the quality of its services. The report of this review is for the organization's benefit and does not have to be released to INAC. Reviews or evaluations after the sixth year of operation will be the financial responsibility of the FNCFS organization. Over and above these internal reviews, an organization may be required to complete an evaluation in

relation to its mandate regarding the protection of children from abuse and neglect; the provinces or territory would need to address this matter with the First Nation organization.

10.2 INAC evaluations will cover the entire child welfare program rather than specific organizations or agreements. As part of its periodic review of the results being achieved by the total program, INAC's Audit and Evaluation Directorate will analyze the information submitted by the provinces and territory and organizations, to ensure that objectives are being met and agreements are being fulfilled.

11.0 Agreements in Principle

Agreement(s) will be in place reflecting a comprehensive range of child and family services, service delivery mode, respective roles and responsibility of parties (FNCFS organization, INAC, province or territory). These agreements will follow INAC authorities and will ensure that there is not a duplication of services and/or cost. These agreements, which are agreements in principle, are separate from funding arrangements (see Section 13.0) and can be tripartite in nature or complementary bilateral (that is, INAC-First Nations and First Nations-province or -territory). These agreements may have an open term provided there are provisions for termination on six months notification.

11.1 INAC shall confirm that an agreement is in place between the province or territory and the eligible Recipient, which complies with INAC authorities as outlined in the national FNCFS manual.

11.2 In the case of a FNCFS agency, it must be mandated in accordance with the relevant provincial or territorial legislation and incorporated following provincial, territorial or federal legislation as verified by a copy of their incorporation documents.

11.3 Where it is agreed that INAC will fund a chief and council for FNCFS, the chief and council must demonstrate that they have an agreement in place with a mandated FNCFS agency or the host province or territory. They must use 100% of operational funds provided to purchase FNCFS.

12.0 Contribution Funding Agreements

First Nations Child and Family Services (FNCFS) are excluded from core funding of multi-year agreements with bands and tribal councils. The terms and conditions applicable to Comprehensive Funding Arrangements (CFAs), which may include Flexible Transfer Payments (FTPs), must be included in FNCFS CFA agreements as contained in the national generic model as amended from time to time (Annex A). CFAs must be renewed annually and cannot be multi-year. The Cash Management Policy also applies. Specific program terms and conditions (Annex B) will be kept to a minimum.

13.0 Liability Insurance

Recipients must maintain liability and general insurance as may be required under provincial or territorial legislation or as may be required by INAC for the provision of child and family services. Recipients will provide a copy of such policies when an annual CFA begins.

14.0 First Nations Standards

14.1 First Nation standards may be developed in each region in cooperation with the host province. These standards, when adopted by the province or territory, can be implemented provided they do not imply additional costs for Canada over and above the funding level described in Sections 18 to 20 inclusive.

14.2 Once these standards have been adopted, they should be made available to INAC and any other First Nation group in Canada that asks for a copy.

15.0 Tripartite Mechanism

Each region will initiate a regional tripartite panel or committee, composed of representatives from INAC, FNCFS organizations and the province, to review program objectives, the development of First Nation standards, and to be a vehicle for ongoing discussions on issues of regional concern.

16.0 Effective Date

This Directive has been implemented as of April 1, 2004.

17.0 Amendment

Based on input by First Nations and/or provincial or territorial governments, this Directive will be amended as required.

18.0 Developmental Activity Funding

18.1 Pre-planning will be funded at a rate of $11,101.06 per group and $1,665.16 per member band.

18.2 Planning will be funded at a rate of $88,808.48 per group and $3,330.32 per member band.

18.3 Start-up will be funded at a flat rate of $185,387.70 per organization plus 25% of the first year's operational funding as described in Section 19.

18.4 The above-mentioned flat rate of $185,387.70 may be adjusted as described in Section 20.1.

19.0 Operational Funding

19.1 Funding for Operational Allocations:

For the provision of comprehensive child and family services (both prevention and protection), the Operational allocation is intended to cover, but not be limited to, salaries, travel and benefits for agency staff (for example, agency director, senior management staff, supervisory staff, support staff, protection and prevention workers and resource workers); expenses related to board or committee operations; professional development services; special needs assessment and testing; legal services fees and costs; para-professional services; family support services; and agency administration including non-medical staff travel to accompany children, rent, office expenditures including computer hardware and software, audits, monitoring and evaluation.

Eligible expenditures may also include non-medical services designed to keep families together and children in their own homes (for example, homemaker and parent aid service, mentoring services for children, home management, non-medical counselling not covered by other funding sources, and group and individual activities designed to promote better parenting skills). Payment under this activity will be in the form of a Flexible

Transfer Payment. Operational funding will be provided to FNCFS organizations as follows:

(a) A fixed amount of $143,158.84 per organization + $10,713.59 per member band + $726.91 per child (0-18 years) + $9,235.23 x average remoteness factor + $8,865.90 per member band x average remoteness factor + $73.65 per child x average remoteness factor + actual cost of the per-diem rates of foster homes, group homes and institutions established by the province or territory.

(b) The above-mentioned fixed amount of $143,158.84 may be adjusted as described in Section 19.2.

(c) In its first year of operation, a new organization will receive 75% of the formula, 85% in its second year, 95% in its third year and 100% in its fourth year. These adjustments will reflect a gradual implementation of the formula over a four year period.

(d) The remoteness factors are the same as used for band support activities. The child population of 0 to 18 years on reserve is the same as reported by INAC's Lands and Trust Services. When calculating the funding formula in a given fiscal year, the child population counted in December of the previous year will be used.

(e) In the Quebec Region, Child and Family Services form part of a network of comprehensive social services. The proposed funding levels are for child and family services only. Existing funding for other social services will not be affected by introducing the above funding formula.

(f) The Operational budget (including developmental activities) has been authorized as a Flexible Transfer Payment (FTP) where the organization will have full authority to set the priorities to be funded (within the sphere of the Child and Family Services Program) so long as the mandate to protect children from neglect and abuse is met. The province or territory responsible for child protection that has delegated this responsibility to Indian organizations will need to address this matter with Indian organizations.

19.2 Funding Adjustment for Proposed Organizations Serving less than 1,000 Children:

For agencies with less than the suggested optimum number of children, adjustments will be made as follows:

a) *Start-up Costs*: if the number of children to be served is between 801 and 1,000, no adjustment. If the number of children to be served is between 501 and 800, the flat rate for start-up as described in Section 18.3 will be $92,693,85 rather than $185,387,70. If the number of children to be served is between 251 and 500, the flat rate for start-up will be $46,346,92 rather than $185,387,70. If the number of children to be served is less than 251, the flat rate for start-up will not be available.

b) *Operational Costs*: If the number of children to be served is between 501 and 800, the fixed amount per organization of $143,158,84 as described in Section 19.1 will be reduced to $71,579,43. This amount will be further reduced to $35,789,10 for organizations serving between 251 to 500 children. If the number of children to be served is less than 251, the fixed amount will not be available.

c) All other funding levels and future year adjustments remain as previously described.

20.0 Maintenance Funding

20.1 Standard Contribution Funding:

Maintenance consists of child maintenance in a foster home, group home or institution. Child Maintenance is the actual cost of maintaining First Nation children ordinarily resident on reserve in alternate care out of the parental home. Children must be taken into care in accordance with provincially or territorially approved legislation, standards and rates for foster home, group home and institutional care. This includes non-medical services to children with behavioural problems and specialized needs; non-medical travel for purposes related to court, parental visitations, education; purchases on behalf of children in care and other provincially approved expenses not covered by other funding sources. Foster, group and institutional per-diem costs, as set and approved by the reference province or territory, may include

professional services not covered through other sources of funding where the child has established eligibility. Maintenance payments are a Contribution and reimbursable on the basis of actual expenditures. Further considerations are as follow:

a) Reimbursement on behalf of eligible children will be made only when the foster, group home or institution has been approved or licensed in accordance with the legislation and standards of the reference province or territory. Letters of equivalency will not be accepted in lieu of this process.

b) INAC may reimburse agencies, subject to the legislation and standards of the reference province or territory, for assistance to children above the age of majority until the child has completed a course of education or treatment plan that was underway at the time of attaining majority.

c) Recipients will be required to submit monthly invoices for children in alternate care out of the parental home. Regions will ensure that the reconciliation of these invoices takes place in a timely fashion. The reconciliation of these invoices should never fall more than three months behind.

d) Recipients and regions will ensure that on-site compliance reviews take place at regular intervals. On-site compliance should occur with each Recipient once every three fiscal years following the INAC Child and Family Services Compliance Review Process Directive.

e) Upon bringing a child into alternate care, the Recipient shall, within 30 days, apply for the Children's Special Allowance (CSA).

f) The CSA will be applied against the eligible expenses under the *Children's Special Allowances Act* in accordance with Section 3(2) of the Act. In those cases, the Recipient shall document the use of these funds and shall be prepared to furnish copies to INAC as required.

20.2 Flexible Funding of Maintenance:

Recipients may apply by submitting a proposal or plan to regional offices to start the process for entering into a Flexible Funding Option (FFOM) for child and family services Maintenance. The

arrangement will provide increased flexibility for agencies to reprofile Maintenance funding under a Flexible Transfer Payment in order to provide increased resources for prevention. Following an assessment by the region, final approval of all FFAs must have the agreement of the Recipient in question, the region and Headquarters.

a) Entry into a FFOM is voluntary. A Recipient will not be required to enter such an arrangement.

b) The management regime for FFOMs is attached as Annex E. It will be dealt with in detail in the FNCFS program manual.

c) Funding provided through the FFOM will be used for child and family services as defined under the legislation and standards of the reference province.

21.0 Administrative Process

Regions are required to submit expansion plans (creation of new agencies) requiring additional funding to the Director General of Social Policy and Programs Branch and the Director General of Finance Branch in Headquarters for their approval. Plans will be assessed according to the availability of funding and on the basis of the policy of this Directive being respected.
Headquarters Finance has the responsibility for the budgetary allocations necessary for these activities. Regions must live within these budgets. The contents of the agreements to be negotiated pursuant to this Directive should be closely scrutinized by Legal Services to ensure that the respective roles and responsibilities of the parties are clearly spelled out.

22.0 Effective Date April 1, 2004

The financial components of the Directive will be implemented as funds become available. All monetary amounts reflect 1995-1996 values. These amounts will be increased by 2% every year subject to the availability of resources.

23.0 Enquiries

23.1 Anyone wishing further information or clarification regarding this Directive should contact the Regional Director General or the Director of Social Policy and Programs Branch at Headquarters.

24.0 Annexes

A - General Terms and Conditions Applicable to Comprehensive Funding Arrangements (CFA)

B - Specific Program Terms and Conditions

C - Annual Funding Levels

D - Specific Program Reporting for First Nations Child and Family Services

E - Flexible Funding Option for First Nations Child and Family Services Maintenance - Methodology

Annex A: General Terms and Conditions Applicable to Comprehensive Funding Arrangements (CFA)

The following items must be included in ICFS funding arrangements:

1. Recipient clearly identified
2. Purpose clearly stated
3. Definitions
   (a) Flexible Transfer Payment
   (b) Contribution
   (c) Surplus/Deficit
   (d) Action Plan/Remedial action
   (e) Expenditure Plan
   (f) Indian resident on reserve
   (g) Maintenance
4. Duration specified
5. Signing date
6. Effective
7. Roles and responsibilities of INAC and of the Recipient clearly described
8. Surplus/Deficit administration
9. Reporting requirements
   (a) Audit
   (b) Financial reports

10. Provisions for amendments and termination of agreement

11. Non-performance

    (a) Request for additional information required

    (b) action plan negotiated

    (c) remedial action if necessary

12. Schedule of funding levels (Annex C)

13. Expenditure plan/cash flow need

14. Cash disbursement schedule

15. Signature block for financial certification

16. Signature block for the Regional Director General and the Recipient

It is essential that regional practices are followed. Please consult the INAC regional officers responsible for transfer payments for a detailed explanation of the above-noted items and for the wording to be used.

Annex B: Specific Program Terms and Conditions

The following items must be included in the ICFS arrangements:

1. **Budget**

   (a) Operations:(administration and services)

   (b) Maintenance: monthly reimbursement of actual costs (an estimate amount must be stated in the funding arrangements)

2. **Definitions**

   (a) Indian ordinarily resident on reserve means:

      (1) that the final Recipients usually live at a civic address on reserve, or are children in joint custody who live on reserve most of the time; or

      (2) Students continue to be considered ordinarily resident on reserve if they return to live on reserve with their parents, guardians or maintainers during the year, even if they live elsewhere while attending school. The residence of a child who comes into the care of a mandated child welfare authority is derived from the residency of the child's parent or guardian at the time the child is taken into care. Such children shall be deemed to be ordinarily resident on reserve for as long as such care is required and continues to be unavailable on reserve.

   (b) Maintenance means: the actual cost of maintaining Indian children ordinarily resident on reserve who are taken into care according to provincially approved legislation, standards and placed in a foster home, a group home, or institutional care. This includes non-medical services to children with behavioural problems and specialized needs; purchases on behalf of children in care; and other provincially approved purchases not covered by other funding sources.

3. **List of services to be provided**

4. **Specific program reporting:**

   (a) for operations: twice a year on September 30 and March 31

   (b) for maintenance on a monthly basis

   (c) an annual report

The information required is described in Annex D.

Annex C: Annual Funding Levels

This arrangement is to provide funding for fiscal year _____ In the amounts described below for the purposes as set out in Section ____.

1. Flexible Transfer Payments
   Funding for Operations:
   (administration and services)

   $_____

2. Contribution Funding for Maintenance

   $_____

3. Total Funding

   $_____

Annex D: Specific Program Reporting for First Nations Child and Family Services

The required information falls in two major categories:

Information related to services provided (operations)

Information required for the actual reimbursement of maintenance

1. **Operations**

   (a) prevention services (to prevent children from coming into care)

      (1) list of services provided

      (2) number of families served (by service)

      (3) number of children included in families served (by service)

      (4) number of local child and family services' committees

      (5) number of Elders' committees

      (6) number of public information or education-related sessions or workshop

   (b) protection services (for children in care including children under supervision order in their own homes)

      (1) list of services provided

      (2) number of families served (by service)

      (3) number of foster homes

      (4) number of adoption homes

2. **Maintenance of Children in Care**

   (a) number of children in care at the end of each month by type of placement (foster home, group home, institution)

   (b) number of care days, unit cost and total cost for each type of placement

Annex E: Flexible Funding Option (FFOM) for First Nations Child and Family Services (FNCFS) Maintenance – Methodology

1.0 Current Authority

Agencies may apply by submitting a plan to the INAC regional office to enter into a FFOM for child and family services maintenance. The purpose of this arrangement is to provide increased flexibility for agencies to reprofile Maintenance funding in order to provide increased resources for prevention. Following an assessment by the region, final approval of all Flexible Funding Options must have the agreement of the agency in question, the region and Headquarters.

2.0 Introduction

2.1 This policy statement, because it deals with a new methodology, is viewed as a work in progress. A review of the policy should be undertaken within one year or at the point when a new Operational funding formula becomes operational, whichever occurs first. This policy statement relates to the flexible funding option of FNCFS maintenance only. Any procedures or methodologies outlined in this paper are not transferable to other programs or even to other aspects of the FNCFS program.

2.2 FFOMs are to be viewed as an option for agencies wishing to receive increased flexibility in the way they may use their Maintenance funding. It is intended to enable agencies to reinvest resources, normally available only for children out of the parental home, into alternate services. These alternate services are targeted prevention initiatives focussing on least disruptive measures. Alternate services are to be holistic and preventative in nature and designed to keep families together.

2.3 In his report on Flexible Funding, Dr. Brad McKenzie indicated that, "There are indications— that block funding has been successful in facilitating alternative forms of intervention for children and families. These efforts are consistent with a growing body of evidence that more investment in family support services, including Aboriginal approaches based on the concept of holism, can help to prevent more intrusive and costly forms of intervention."

2.4 FFOMs are to be cost neutral in that they are not intended to provide increased resources but are intended to provide increased flexibility. They are a mechanism an agency may use to provide a better quality of service within current reference levels of funding.

2.5 When the Operational formula is revised, this policy will need to be reviewed in light of a revised formula.

3.0 Alternate Services

3.1 The alternate services, referred to above, may be provided from the savings accumulated by providing alternate responses to protecting children at risk of neglect and abuse. For example, moving children from high-cost placements out of the home and community to their own homes or, at least, less expensive placements in the community. These savings may be reinvested into alternate services designed to keep children at risk, as defined by the reference province in its legislation and standards, and their families together and to reintegrate families that have been separated in the past.

3.2 These reinvestment resources may be applied to a broad range of services in the home or the development of programs and services designed to help children at risk and their families. These alternate services must be for the benefit of children and families and within the overall mandate of FNCFS as defined by the reference province in its legislation and standards.

4.0 Process for Entry into a FFOM

4.1 An agency applies to a regional office to enter into a FFOM by submitting a proposal or business plan outlining how it will manage the allocation and how it will shift focus from children in care to a more preventative approach. It must present a five year plan on how it will change the profile of service from primarily protection to a more prevention-oriented program. The agency will indicate how it plans to evaluate progress on an ongoing basis in order to track the transition process.

4.2 The plan will clearly outline the nature of services currently being offered, including numbers of children out of the home in alternate care and the numbers of children at risk in their communities. Also, agencies will identify the number of high-needs children and the costs related to these.

4.3 In order to ensure that the transition to the FFOM is successful, the First Nations agencies, regions and the provinces must agree with the business plan because provincial delegation and approval in the redesign of services is essential. The best interest of the child, however, must remain the overriding principle.

4.4 The region will advise Headquarters about the intent of a First Nations agency to begin the process leading to the agency entering such an arrangement.

4.5 The agency and the region will ensure that all of the preconditions for entry into such an agreement have been met (see Section 5 on Preconditions). This plan will be shared with Headquarters.

4.6 The agency and the region will then conduct a compliance review of the current fiscal year to verify the Maintenance base. The compliance review will be conducted following the national compliance Directive and as outlined in the FNCFS national manual. The average increase or decrease over the previous three fiscal years will then be determined. This information is to be shared with Headquarters.

4.7 Upon completing the compliance review and agreement on the part of all parties to a mutually acceptable level of authorized Maintenance expenditures, the parties will then develop the entry level allocation for flexible funding based on the methodology outlined in Section 6 on Determining Initial Allocations.

4.8 A Peer Review Committee (PRC) will consist of three First Nations representatives experienced in FNCFS and the concept of Flexible Funding appointed by the National Advisory Committee (NAC) along with the INAC National Manager of First Nations Child and Family Services and a representative from INAC Finance Branch. The PRC will discuss each application as it comes into Headquarters from the region.

4.9 The PRC will provide feedback to the applicant agency and region, suggest changes or improvements to the proposal and make recommendations on whether or not the application should be approved.

4.10 The recommendation will be presented to the Director General of Social Policy and Programs. Once the Director General has given final approval, the agreement will be put into effect.

4.11 Agencies must provide detailed reporting for children out of the parental home in alternate care as well as for reinvestment activities. Reports on children in alternate care will be submitted quarterly to the region along with reports on reinvestment activities. The reporting activities will reflect the proposal or business plan.

4.12 The agreement may be renewed annually for a period of five years at which time program funding levels will be reviewed and the arrangement may be renewed for a further five year period, See Section 9 on Renewals.

4.13 Annual adjustments will be provided in accordance with the methodology outlined in Section 7 on Annual Adjustments.

4.14 If large numbers of children come into care for reasons that cannot be controlled by the agency, or a small number of children result in a dramatic increase in expenditures, the agency may, at its discretion, invoke a special circumstance review. This process is described in the Section 8 on Special Circumstance Review.

5.0 Preconditions for Entry into a FFOM

An assessment of agency readiness will be conducted jointly by the region and the agency. This assessment will take into account the following factors:

5.1 FFOMs are designed for agencies that provide a full range of services and are fully delegated. Agencies that provide prevention services only would not benefit from a FFOM agreement. Delegated agencies that purchase protection services from the host province or another agency would, in their proposals, have to involve the reference province or external agency in the submission because the province has control of children coming into care. The agency and the province would have to provide details about how they plan to reprofile Maintenance dollars in order to change the focus of the service.

5.2 The financial and administrative "track record" of the agency and/or First Nations child and family services organization applying for a FFOM. This will include any surpluses or deficits the agency is experiencing; the consistency of financial records;

the case management records being in good order, and the concurrence of the province that the agency is in fact a good candidate for increased flexibility.

5.3 The degree to which the applicant agency has adequately trained staff and has developed a well-defined tracking and reporting system in line with provincial legislation and standards.

5.4 The capacity of the applicant agency to work collaboratively with and within its host communities, region and the province in establishing a new service direction with a strong preventative focus using an integrated holistic approach.

5.5 The stability of the service delivery system. Agencies with fairly stable caseloads (that is, no extreme fluctuations in children in alternate care out of the parental home) and a good record for protecting children will receive preference.

5.6 Size of the agency. Larger agencies have greater economy of scale and will be better able to benefit from the flexibility offered by a FFOM.

6.0 Method for Determining Initial Allocations

6.1 Results of the compliance review will establish the current Maintenance base and will be an accurate record of INAC reimbursable expenditures within current authorities during the current fiscal year. The percentage increase or decrease over the previous three fiscal years will also be determined.

6.2 The region and the First Nation agency will project a year-end level of spending for Maintenance within the current fiscal year. This will be accomplished by determining current levels of expenditure and adjustment made according to the trends that emerge during the reconciliation process.

6.3 The region and the First Nation agency will determine the allocation by using the year-end forecast as supported by the results of the agency review. The average annual variance over the past three years will provide the basis for an initial adjustment. However, there is no obligation to adjust upward to the full amount if it is determined that the adjustment is not required or supported by the business plan. Likewise, there is no obligation to adjust downward to the minimum if it is determined that the

agency could not manage. The maximum adjustment possible, however, would be the variance over the past three years.

6.4 Once the initial allocation has been determined, the Contribution Arrangement for the new fiscal year will be prepared. Funding will be in the form of a Flexible Transfer Payment for Maintenance as well as for Operations.

6.5 For fiscal year 2004-2005, FFOM arrangements may be entered into at the time when the applicant agency is prepared to begin operating. There will, however, be no retroactivity and the agency will receive flexible funding for only that portion of the fiscal year that they will actually be in a FFOM. Effective April 1, 2005; however, FFOM arrangements will only be entered into effective April 1.

7.0 Annual Adjustment

7.1 Authority for Flexible Funding is not multi-year; therefore, Contribution Arrangements must be renewed annually. For a FFOM, the Operations portion and the Maintenance portion of funding will both be in the form of a Flexible Transfer Payment, but separate entities within the agreement.

7.2 Adjustments are made annually in the Operations allocation based on the formula contained in the national policy. There are, however, no formula-based adjustments to the Maintenance allocation.

7.3 Because rates paid for children in care are driven by provincial rates, adjustments will be made to the Maintenance calculation to accommodate these shifts. Should the provincial rates for children in care rise, the Maintenance allocation will be adjusted effective on the date the adjusted rates become effective.

7.4 If the rates go up for any one of the categories for children in care (institutions, group homes or foster homes), a corresponding increase will be provided for those children in the care of the agency in those categories. The adjustment will use the child in care statistics provided by the agency in the previous fiscal year and will calculate the average cost per child in alternate care in each of the three categories. The percentage increase in the provincial rates will then be added to the average cost per child in alternate care by category and multiplied by the number of children in alternate care.

7.5 Alternately, if provincial rates drop, the same process in reverse will apply. Adjustments will occur effective the dates the rate changes come into effect.

7.6 Should cost of living adjustments be reinstituted for the Operational formula in future, these adjustments would not apply to Maintenance as Maintenance price is driven by provincial rates.

8.0 Special Circumstance Review

8.1 From time to time, circumstances may arise that are beyond the control of agencies and where large numbers of children may have to be brought into care due to breakdowns in a specific community. In other cases, extra ordinarily high costs for one or more children may result in a major increases to the cost of children in care out of the parental home. These situations are usually, but not always, temporary and may require a temporary adjustment.

8.2 When this occurs in an agency that is funded in the traditional fashion (that is, reimbursement of actual costs for children in care), the agency is able to pass the increase on to INAC through their normal Maintenance invoices. However, when this happens to an agency in a FFOM agreement, the impact of this emergency situation could create serious difficulties for the agency.

8.3 It is suggested the following process be adopted as part of the management framework for FFOM agreements:

a) If an agency in a FFOM agreement experiences a crisis in one or more communities that is beyond its control and that requires bringing a large number of children into care or, alternatively, it experiences a serious growth in special needs rates, the agency may, at its discretion, call for a Special Circumstances Review (SCR).

b) If 8% or more children, above forecasted levels, come into care over three months as reflected in the quarterly reports or if there is a surge in high-cost children resulting in a cumulative deficit equivalent to 8% or more of the agency's total annual Maintenance revenues (projected from quarterly reports), INAC will be obliged to call for a Special Circumstances Review (SCR).

c) The region and the agency will then set up a SCR and will advise Headquarters about this circumstance. In preparation for this review, the agency will be expected to produce a statistical summary of activities since entering the FFOM. Further, if the factor that is driving costs higher is high-cost children, the current situation will be compared with the numbers of high-cost children just before entering the FFOM.

d) The agency and the region will determine whether this special circumstance is likely to be of short or long-term duration.

e) If the duration is short, there are two possible options:

   i) it may be agreed by the agency and the region that the agency absorb this increased cost over a short period of time; or

   ii) the region may propose to provide a temporary supplement to the Maintenance allocation, which cannot exceed the shortfall. This temporary measure will never exceed six months. The region would then make this recommendation to Headquarters for final approval.

f) If it is likely to be of longer duration, there are three possible options:

   i) The agency, the region and Headquarters may agree upon a cost-sharing arrangement. This would then become part of the FFOM base until such time as the renewal took place.

   ii) The agency, region and Headquarters may agree that an adjustment to the base is required to cover the total amount of the shortfall. In this circumstance, renewal will be necessary and the business plan will require updating to reflect current realities. This will result in renewing the full agreement.

   iii) The region and the agency may agree that the agency revert to traditional Contribution funding, particularly if the impacts are significant. In such an event, six months would have to be allowed for the transition because a

number of programs and services may be effected. If such an agency wishes to re-enter a FFOM in future, they must reapply under the provisions of Section 4..

8.4 In the event that no agreement is reached in regard to Sections 8.3.e and 8.3.f above, the agency must return to traditional Contribution funding for Maintenance until the situation in the geographic area in which the agency operates stabilizes. In this circumstance, the agency would be subject to the provision in 8.3.f.iii.

8.5 In the event of a special circumstance that is outside INAC's current authorities to resolve, INAC will act to help bring the issue to the attention of the appropriate authority.

9.0 Renewal of the Allocation

9.1 Although the FFOM agreements must be renewed on an annual basis and an annual adjustment factor has been built into the methodology (based upon provincial rate increases), it is essential that, at some point, the levels of funding are reviewed and the agency's Maintenance allocation is renewed. With the anticipated shift from alternate care to in-home care for children at risk, the profile of agency service would change significantly and the considerations applied to new FFOM agreements would no longer apply.

9.2 With the shift in focus comes a significant change in the service profile. To renew without considering the alternate programming, which has been developed, would be counter-productive and would leave the FFOM agencies in an untenable position. On the other hand, it must be understood that the Maintenance base cannot continue to increase without justification and without periodic review.

10.0 Assumptions

10.1 That the shift in focus from taking children into alternate care toward prevention and alternate programming will be a gradual one that will take several years.

10.2 Renewal should only occur once a significant shift has taken place in programming. Therefore, Renewals will occur following five years of operation under a FFOM. In a review of the flexible funding pilot programs, it was found that there was a major shift only after the pilot program agency had been in flexible funding for more than five years.

10.3 The methodology for renewal will be done in a manner which is consistent, measurable and supportable according to existing data and authorities.

10.4 Flexible Funding was conceived as a methodology that would allow children at risk and their families to receive services at home, thereby reducing the need to remove children into alternate care. The Maintenance statistic of measurement, then, will no longer be children in alternate care alone, but a combination of children in alternate care plus children at risk of neglect and abuse being serviced by the agency.

10.5 Flexible Funding was conceived as a methodology to encourage an increased investment in preventative services. Should the Operational formula be redeveloped and additional funding is received for prevention or least disruptive measures, this methodology will have to be revisited.

11.0 Methodology

11.1 As part of the ongoing monitoring of the original proposal or business plan, the agency and region will meet a minimum of once per year to review the progress of the plan in moving from a protection-only agency to an agency that emphasizes prevention and service to children at risk in their own homes. These reviews will track the transition process so that when the renewal takes place, there will be no surprises. Provincial involvement in these periodic reviews should be encouraged wherever possible.

11.2 When a FFOM agency completes five years using the FFOM methodology, the process for renewal is as follows:

a) The region and the agency will set a date for the renewal to begin and will advise Headquarters accordingly. An on-site review will be conducted at the agency's offices. The review will include an assessment of all current year costs related to children in alternate care to ensure they follow current

authorities. The review will also track alternate services expenditures. The results of the review will then be matched against the original proposal or business plan.

b) The region and agency will do a projection of the current year's Maintenance and alternate program spending as supported by agency records. A trend will then be forecast to determine actual costs for the full year.

c) Once the projection is completed and has been verified by regional staff, the agency will advise the region about the number of children being serviced who are at risk of neglect or abuse in accordance with provincial legislation and standards plus the number of children in alternate care out of the parental home, which had already been jointly verified.

d) The number of care days will then be established on the basis of children out of the parental home. The number of non-care days will also be established by determining the number of at risk children being serviced in their own homes. In this way, a per-diem cost is established for children in care by dividing the total cost of in care by the number of care days. Similarly, a unit cost will be determined for non-care by dividing alternate service costs by number of at risk children being serviced by the agency.

e) Although not used in the first renewal, these per-diem costs become a useful tool for future comparisons. During the next renewal, the agency and INAC will be able to track the per-diem costs to determine if they are in line with the expectations of the business plan. If they are not, remedial action will be necessary.

f) Following the first renewal, agencies are to report on these per-diem costs along with the other reporting requirements so that they become a part of the agency profile for FFOMs.

g) Because the current actual base has been established and projected through the renewal process, it is not necessary to adjust for surplus or deficits. Accumulated surpluses may be retained by the agency to use to deliver FNCFS, but, on the other hand, accumulated deficits must be borne by the agency.

h) Having determined the allocation for the renewed agreement, the agency and the region, in consultation with the province, will develop a new business plan, which will become the basis for annual reviews and, subsequently, the standard against which the next five-year renewal will be measured. This renewed business plan will be forwarded to the Peer Review Committee for comment and recommendation. As are new FFOM agreements, final approval will be given by the Director General of Social Policy and Programs.

i) If an agreement cannot be reached on a new plan or level of funding, the agency will revert to Contribution funding. In this event, the same conditions as outlined in Section 8.3.f.iii of Special Circumstances Review would apply.

12.0 Agencies Currently in Flexible Funding Pilot Programs

12.1 Effective April 1, 2004, agencies currently in pilot programs will continue to be funded under current levels of funding and current operational arrangements until a renewal can occur, no later than April 1, 2005. At that time, the agency will be brought in line with the methodology set out in this policy.

12.2 As of April 1, 2005, all agencies currently in flexible funding pilot programs will either be under this policy or obliged to return to Contribution funding.

Appendix B: Summary of Prevention and Protection Services – Contribution Authority

Contributions to support culturally appropriate prevention and protection services for Indian children and families resident on reserve

Objective: To support culturally appropriate prevention and protection services for Indian children and families resident on reserve, in accordance with the legislation and standards of the province or territory of residence. The anticipated result is a reduction in family violence and a more secure and stable family environment for children on-reserve.

Eligible Recipients: Prevention and protection services for children and families on reserve is one of the essential services that is funded by DIAND for reserve communities. In the Northwest Territories and Nunavut, there are provisions for these services in the territorial formula financing agreements. In the rest of the country, DIAND arranges for the administration of funding for these services with the Chiefs and Councils of Indian bands recognized by the Minister of Indian Affairs and Northern Development. Chiefs and Councils may opt to deliver programs directly; share services with other member communities in tribal/district councils or incorporated political/treaty/First Nation organizations; or enter into agreements for service delivery with other provincial or municipal agencies, private businesses or non-governmental organizations.

In these cases, contributions for prevention and protection services for children and families ordinarily resident on reserve may be flowed to Indian organizations designated by Chiefs and Councils (bands/settlements, tribal councils, or political/treaty organizations, child and family services agencies, or family violence prevention shelters for abused mothers and children); or public or private organizations engaged by or on behalf of Indian communities to administer the program of prevention and protection services for Indian children and families (private firms or organizations retained as co-managers or third-party managers designated by DIAND).

In some cases, where services are not administered by Chief and Council of Indian bands, DIAND may opt to enter into agreements for service delivery or cost-sharing with other federal, provincial or municipal agencies, private businesses or non-governmental organizations. With respect to child and family services, because of jurisdictional and liability issues, DIAND will only fund child and family services service providers mandated by the province or territory or the province or territory itself to provide services.

Self-governing First Nations that have included child and family services or family violence in their self-government agreements are not eligible recipients under this contribution authority for those activities included in the self-government agreement.

Stacking Provisions do not generally apply to payments for abuse prevention and protection services, as DIAND usually provides 100% of the abuse prevention and protection services funding. Any other government funding received will serve to reduce DIAND's contribution.

Child and Family Services: Recipients shall account for parental contributions, as specified by the provincial or territorial legislation and standards, and apply these first towards maintenance costs. DIAND's reimbursement of maintenance costs shall be reduced by any parental contributions.

The Children's Special Allowance (CSA) will be applied exclusively against the eligible expenses under the *Children's Special Allowance Act* in accordance with section 3(2) of the *Act*. In those cases, the recipient shall document the diversion of funds and be prepared to furnish copies to DIAND when requesting reimbursement of maintenance costs.

Third Party Delivery: Where the recipient delegates authority or transfers program funding to an agency (i.e., an authority, board, committee or other entity authorized to act on behalf of the recipient), the recipient shall remain liable to the Minister for the performance of its obligations under the funding agreement. Neither the objectives of the programs, nor the expectations of transparent, fair, and equitable service may be compromised by this delegation or transfer of funds.

The recipient shall adhere to the management and accountability regimes outlined in the agreements, and include:

1. clear statements of expectations, roles and responsibilities (including financial roles and responsibilities) for the initial and final recipients;
2. transparent and open decision making processes; demonstration that the eligibility requirements are being met;
3. provision for ongoing assessment by DIAND to ensure that performance is in line with expectations and that the initial and final recipients exercise due diligence;
4. provision for DIAND's right of access to relevant documents and premises of the initial recipient and, where warranted, the final recipient; requirements for compliance and financial audits;
5. provision for DIAND to receive regular financial and performance reports from the initial recipient, certified by an officer of the company, including if appropriate: annual audited financial statements with an external auditor's report and opinion; specification of admissible administrative costs that can be applied to the contribution by the initial recipient based on an accounting of expenses; and any completed evaluations funded in whole or in part by the transfer payment program;
6. provision that DIAND obtains from the initial recipient, or has ready access to, a copy of all signed agreements with final recipients; and
7. a description of the redress provisions for ultimate recipients affected by decisions of the initial recipient; provision for appropriate reviews, program evaluations, and audits.

Application Requirements: Before entering into a funding arrangement, DIAND shall confirm its authorities to enter into an agreement with the recipient and to fund the proposed activities. In most cases, child and family services (including family violence prevention) would be one of several public services to be funded by DIAND for a particular recipient, and there would also be an expectation of an on-going relationship between DIAND and the recipient. The recipient, therefore, shall be required to provide a complete review of its accountability and management processes and systems. This review shall be based on appropriate accountability and management control frameworks.

Following the assessment, DIAND may also work with the recipient to prepare a development plan. Such a plan shall address any gaps identified by the assessment and be appended to the agreement. The development plan shall remain an integral part of all future agreements until all the recommended policies and procedures have been implemented.

Recipients shall comply with the *Conflict of Interest and Post-employment Code for the Public Service* and the *Conflict of Interest and Post-Employment Code for Public Office Holders*. Where a recipient employs or has a major shareholder who is either a current or former (in the last twelve months) public office holder or public servant in the federal government, compliance with the Code(s) must be demonstrated.

Initial recipients are required to demonstrate the eligibility of final recipients for child and family services (including family violence prevention) funding, according to the following criteria. Final recipients must:

a) ordinarily reside on reserve;
b) be in need of child and family services (as defined by provincial legislation and standards and in accordance with provincially mandated child welfare agency needs assessments), and/or family violence prevention support (in accordance with the needs assessment of police, child and family services agency staff, family support staff, health centre staff, or emergency shelter staff);
c) have a demonstrated requirement for child and family services support (including family violence prevention) and no other source of funding to meet such needs.

For the purposes of providing child and family services (including family violence prevention), ordinarily resident means that the final recipients: usually live at a civic address on reserve, or are children in joint custody who live on reserve most of the time.

Students continue to be considered ordinarily resident on reserve if they return to live on reserve with their parents, guardians or maintainers during the year, even if they live elsewhere while attending school . The residence of a child who comes into the care of a mandated child welfare authority is derived from the residency of the child's parent or

guardian at the time the child is taken into care; such children shall be deemed to be ordinarily resident on-reserve for as long as such care is required and continues to be unavailable on-reserve.

For the purpose of providing Child and Family Services and or Family Violence programs and services, residents of the following communities are considered to be ordinarily resident on-reserve: Kitcisakik - Canton de Hamon; Long Point First Nation - Winneway; Pakua Shipi - Saint-Augustin; Kanesatake - Oka; Barriere Lake - MaïganAgik; Aroland; Animbiigoo Zaagi'igan Anishina; Sandpoint; Nibinamik; McDowell Lake; Mathias Colomb Cree Nation - Granville Lake; Mathias Colomb Cree Nation - Marcel Colomb (Lynn Lake); Nisichawayasihk Cree Nation - South Indian Lake; War Lake First Nation - Ilford; Fox Lake First Nation - Gillam; Ocean Man; Athabasca Chipewyan First Nation (ACFN) - Ft. Chipewyan; Mikisew Cree First Nation - Ft. Chipewyan; Little Red River Cree Nation (LRRCN) - Garden River; FT. McKay First Nation; Lubicon Lake Band - Little Buffalo; Tsay Keh Dene First Nation (Ingenika Band); Old Massett Village Council; Lax Kw'alaams; Iskut; Lake Babine; Wet'suwet'en - Bromon Lake; Whe-La-La-U; and all Indian Residents of the Yukon.

Child and Family Services: DIAND shall also confirm that: (1) an agreement is in place between the province or territory and the eligible recipient which meets the requirements of the national First Nations Child and Family Services policy; (2) in the case of a First Nation Child and Family Services Agency, that it is mandated by the relevant province or territory, and that it is incorporated pursuant to provincial or federal legislation (as verified by a copy of their incorporation documents). Where it is agreed that DIAND will fund Chief and Council for Child and Family Services, the Chief and council must demonstrate that they have an agreement in place with a mandated child and family services agency or the relevant province or territory to use 100% of the funds to purchase services. In the case of a non-profit society, a copy of the documentation demonstrating that they are mandated by the province or territory to provide child and family services and copies of current incorporation documents which confirms that they are a society in good standing in their province or territory; (3) the recipient maintains the minimum insurance required under provincial legislation or regulations, or as may be required by DIAND for the provision of child and family services; and, (4) where the province or territory is providing the services, the province or territory

must provide documentation that the services are for an eligible beneficiary.

Subject to the legislation and standards of the province or territory of residence, child and family services agencies may continue to provide services to final recipients who have reached the age of majority until those recipients have completed a course of education or treatment plan that was underway at the time of attaining their majority.

Family Violence: Family Violence Prevention Projects must demonstrate that they promote a reduction in family violence and support a more secure environment for families on-reserve, through the promotion and public awareness, education campaigns, conferences and workshops, stress and anger management seminars, counselling, training, support groups and community needs assessments subject to the availability of funding.

Social Development Program Management Infrastructure Initiative: Eligible recipients will confirm they are Chiefs and Councils of Indian Bands recognized by the Minister of DIAND and/or First Nation organizations with a population catchment of at least 1400. No two entities will be funded for the same purpose for the same population catchment area. In addition, the proposal under this initiative will need to meet the following criteria:

1) integrated delivery of multiple social development programs;
2) show interface/linkages with provincial/territorial and/or federal programs; and,
3) demonstrate the capacity to perform at least one of the following functions:
   - test the effectiveness of sectoral or block funding;
   - support training for community level staff;
   - standardized procedures and support for compliance;
   - integrated and strategic approach to public accountability;
   - establish professional standards or provide professional development services;
   - support policy adaptation and interpretation and program design;
   - support/provide coordinated case-management services;
   - develop conceptual frameworks for indicators or integrated databases to support statistical development;

- modernize information technologies and develop integrated databases;
- develop community based indicators of program performance;
- report on data and analysis, and its importance to communities; or
- data collection and management activities required for program monitoring, planning, reporting and evaluation; maintenance and upgrading of systems.

Eligible Expenditures:

Child and Family Services:

Maintenance - Institutional Maintenance consists of child maintenance in a foster home, group home, or institution. Child Maintenance is the actual cost of maintaining Indian children ordinarily resident on reserve, and/or non Indian children ordinarily resident on reserve that are not receiving protection services from the relevant province or territory, who are taken into care in accordance with provincially approved legislation, standards and rates for foster home, group home and institutional care. This includes non-medical services to children with behavioural problems and specialized needs; purchases on behalf of children in care; and other provincially-approved purchases not covered by other funding sources.

Per diem costs for children in care in foster homes, group homes and institutions may include professional services not covered through other sources of funding where the child may have established eligibility.

Development/Devolution of Indian Child and Family Services agencies – allowances for assessment, community consultations, negotiation of agreements, research and development of service standards, hiring of staff, establishment of agency office, purchasing of equipment and furniture, orientation and initial training of local committees, boards of directors and agency staff. Payments under this activity may be made as a Flexible Transfer Payment.

Indian Child and Family Services Agency Operations – salaries, travel, and benefits for agency staff (e.g.: agency director, senior management staff, supervisory staff, support staff, protection and prevention workers, and resource workers); expenses related to board/committee

operations; professional development services; special needs assessment and testing; legal services fees and costs; paraprofessional services; family support services; agency administration including non-medical travel costs, rent, office expenditures including computer hardware and software, audits, monitoring and evaluation (i.e. costs of preparing agency evaluations). Eligible expenditures may also include non-medical services designed to keep families together and children in their own homes (e.g.: homemaker and parent aid services, mentoring services for children, home management, non-medical counselling services not covered by other funding sources, group and individual activities designed to promote better parenting skills). Payments under this activity may be made as a Flexible Transfer Payment.

Flexible Funding of Maintenance - Eligible recipients may apply by submitting a plan to DIAND to enter into a flexible funding arrangement for child and family services Maintenance. The purpose of this arrangement will be to provide increased flexibility for agencies to re-profile Maintenance funding, under a Flexible Transfer Payment, in order to provide increased resources for prevention. Following an assessment by the region, final approval of all flexible funding arrangements must have the concurrence of the agency in question, DIAND region and Headquarters.

Family Violence Prevention:

Family Violence Prevention - protection and prevention services may include: temporary shelter in First Nation shelters built on- or off-reserve, in commercial accommodation or provincial or private non-profit shelters; counselling for transition back into the community and other intervention activities; prevention activities such as public education and awareness activities; and such other activities and services operated in accordance with relevant provincial/territorial laws and standards.

Family Violence prevention expenses include: operating costs for First Nation family violence prevention shelters, including rental of temporary shelter; salaries and training for professional or para-professional family violence workers and administrators and related office costs; data collection and management activities required for project monitoring, planning, reporting and evaluation; funding to support the National Aboriginal Circle Against Family Violence to

provide and coordinate training, co-ordination of programs and services, seminars, conferences, research projects, and professional networking.

Projects – allowances for community-based family violence prevention initiatives, public awareness, education campaigns, conferences and workshops, training, stress and anger management seminars, support groups and community needs assessments (i.e. costs of books, pamphlets and materials, office expenditures, travel, facilitator per diem, and refreshments).

Shelter Operations – salaries and benefits for shelter professional staff (i.e. shelter director, assistant director, and family violence counsellors); professional development services; management of shelter committees and providing advice to band administrations; paraprofessional services (shelter support workers); agency administration (secretarial staff, travel costs, office expenditures); monitoring and evaluation (i.e. costs of preparing agency evaluations); and, other operational costs of maintaining families or individuals eligible for protection services (i.e. food, shelter, security systems, counselling, psychological services, career planning, referrals to other social agencies, personal items, special needs, emergency clothing, travel, and recreation).

Off Reserve Family Violence Prevention Emergency/Transition /Second Stage Shelter – If it is necessary for the safety of individuals or families to be placed off-reserve, the eligible expenditures are the actual costs of maintaining individuals or families in family violence prevention shelters off reserve, based on provincial/territorial per diem rates and rules (i.e. food, shelter, counselling, psychological services, career planning, referrals to other social agencies, personal items, special needs, emergency clothing, travel, and recreation).

Notes: Rent and maintenance costs for facilities located on reserve are not eligible expenditures under this contribution.

Social Development Program Management Infrastructure Initiative: Eligible recipients will confirm they are Chiefs and Councils of Indian Bands recognized by the Minister of DIAND and/or First Nation organizations with a population catchment of at least 1400. No two entities will be funded for the same purpose for the same population

catchment area. In addition, the proposal under this initiative will need to meet the following criteria:

1) integrated delivery of multiple social development programs;
2) show interface/linkages with provincial/territorial and/or federal programs; and,
3) demonstrate the capacity to perform at least one of the following functions:
   - test the effectiveness of sectoral or block funding;
   - support training for community level staff;
   - standardized procedures and support for compliance;
   - integrated and strategic approach to public accountability;
   - establish professional standards or provide professional development services;
   - support policy adaptation and interpretation and program design;
   - support/provide coordinated case-management services;
   - develop conceptual frameworks for indicators or integrated databases to support statistical development;
   - modernize information technologies and develop integrated databases;
   - develop community based indicators of program performance;
   - report on data and analysis, and its importance to communities; or
   - data collection and management activities required for program

Maximum Amounts Payable: Maximum amounts payable under this contribution program are based on the service standards and rate schedules of the province or territory of residence.

Child and Family Services: In accordance with the current operational formula for the operation of an agency, the maximum payable to a single recipient is $13.8 M per annum. The costs of maintaining eligible children in foster, group home and institutional care are reimbursed on actual costs; actual per diem rates are established by the province or territory, up to $845 per eligible child per day. Maximum payable to province or territory or territories who are delivering services in the absence of FNCFS agencies is $30.0 M per annum. Where eligible recipients have a flexible funding maintenance agreement with DIAND, the maximum allocation is not to exceed $15 M per annum.

For the developmental/devolution costs associated with establishing a new FNCFS agency, a one-time cost for pre-planning of up to $11,101 per group of bands forming an agency, plus $1,665 per member band; a one-time cost for planning of $88,808 per group of bands forming an agency, plus $3,330 per member band, and; a one-time cost for start-up of $185,388 plus 25% of first year operational funding. Unit costs for the development/devolution of FNCFS agencies are based on the elements specified in the national funding formula.

Maximum amounts payable may increase annually by a factor of no more than two percent (2%).

Family Violence Prevention: Maximum amounts payable under this contribution program are based on the service standards and rate schedules of the province or territory of residence.

Family Violence Prevention: The maximum amount payable for a single Family Violence Project is $900,000.00 annually. Unit costs for family violence prevention projects are based on a combination of project proposals and per-capita distribution. In several regions, funding is provided to regional organizations which then distribute project funding to Bands on a per capita basis and/or according to the proposals it has received.

In the remainder, project proposals are submitted directly to DIAND regional offices. All project-based proposals are required to meet specific criteria which are developed by DIAND and the body that administers the program, if applicable.

Violence Shelters – Shelter is $388,000.00 annually.

Off Reserve Family Violence Prevention Emergency/Transition/Second Stage Shelter – up to $132 per person per day to a maximum stay of fourteen weeks, or $12,936 for emergency / transition shelter, and up to $10,950 per year for second stage shelter. Unit costs for emergency family violence prevention shelter services provided off reserve are based on provincial / territorial rate schedules. Emergency/Transition shelter may be provided for up to fourteen weeks; second-stage shelter may be provided for up to one year.

Maximum amounts payable may increase annually by a factor of no more than two percent (2%).

Repayable Contributions: These provisions do not apply because no business will receive contributions which are intended to generate profits or to increase the value of the business.

Due Diligence: DIAND has procedures and resources for ensuring due diligence in approving these contributions, verifying eligibility and entitlement, and for managing and administering the program.

Approval: Authority to sign and amend agreements is delegated to directors responsible for these programs.

Basis and Timing of Payments: Payments are made monthly based on a cash flow forecast from the recipient or by the reimbursement of actual costs. Where advance payments are necessary, they are limited to the immediate cash requirements of the recipient and do not exceed the payment frequency set out in the provisions of the Cash Management Policy.

DIAND is seeking an exemption to the requirements in sections 7.6.3 and 7.6.4 of the Policy on Transfer Payments on holdback provisions, on the basis that contributions for culturally appropriate prevention and protection services to residents of reserves are a major component of an ongoing funding relationship between DIAND and recognized Indian bands. This expectation of an ongoing funding relationship is sufficient incentive for recipients to account fully for all expenditures incurred. It also helps to minimize the risk associated with the recipient not using the funds for the purpose contributed. Contribution Agreements, Comprehensive Funding Agreements, and Flexible Transfer Payments, therefore, do not have explicit holdback provisions. Instead, recipients are advised that "funding otherwise payable under this Arrangement may be withheld by the Minister, if the Audit and reports are not provided by the Council to the Minister as required under this Arrangement or its predecessor.

Any amounts so withheld shall be paid by the Minister to the Council, within sixty (60) days of the submission of the reports."

Funding Level Changes: DIAND is seeking an exemption to the requirements in section 7.3.6 of the Policy on Transfer Payments on provisions in the event that departmental funding levels are changed by Parliament, on the basis that funding agreements already contain a requirement that any payment made is subject to there being an appropriation by Parliament for the fiscal year in which the payment is made. This clause is based on section 40 of the *Financial Administration Act*, which also provides sufficient authority for DIAND to reduce or cancel agreements and payments in the event that Parliament changes departmental funding levels.

Duration: These terms and conditions are in effect to March 31, 2006.

Results-based Management and Accountability Framework and **Risk-Based Audit Framework:** DIAND is seeking an exception to section 8.1.1 (clauses xv and xvi) of the Treasury Board Policy on Transfer Payments, the requirement for the Results-based Management and Accountability Framework (RMAF) and the Risk-Based Audit Framework (RBAF). This request is premised on the fact that DIAND is currently in the process of finalizing a review of all its A-base budget programs and the organizational structure used to manage and administer these programs. The Department's management and accountability structure will change with the creation of a Regional Operations Support Sector. This change will enhance the Department's efforts to ensure that the guiding principles outlined in the Treasury Board's report entitled *Results for Canadians*, the Treasury Board Policy on Transfer Payments as well as Treasury Board's Modern Comptrollership initiative will be fully implemented.

It is anticipated that the results of this A-base review and the departmental re-structuring, will be finalized by late August or early September. At that time, the social development program's RMAF and RBAF reports can be finalized in a manner that facilitates strategic alignment with the department's revised management and accountability structure.

Other: DIAND has the capacity to manage this program, for which the planned direct expenditure in 2003-2004, is $385 million in Vote 15 (Grants and Contributions) in the department's reference level.

Appendix C: Child and Family Services Compliance Review Process

1.0 Purpose

This directive provides national direction to assist the regions and their staff with the conduct of First Nations Child and Family Services (FNCFS) Compliance Reviews.

This directive helps fulfil Indian and Northern Affairs Canada's (INAC/ the department) accountability requirements to Parliament as well as its obligations under the *Financial Administration Act* (FAA). It provides guidance to departmental staff on the expenditure of public monies, an essential managerial responsibility (e.g., section 34, FAA).

The objective of FNCFS Compliance Reviews is to confirm eligibility for funding and determine compliance with Cabinet and Treasury Board Authorities/Terms and Conditions, including the introduction of maximum amounts allowable under maintenance effective September 27, 2001, and with provincial rates for children in alternate care (i.e. foster care, group home care and institution care) as set out in the funding agreements. This includes providing support to all First Nations, Tribal Councils, Third Party or the Province (referred hereinafter as Administering Authorities) who administer FNCFS under a reimbursement of actuals contribution regime, in the effective and efficient operation of FNCFS.

2.0 Scope

This directive applies to all compliance reviews on FNCFS where the funding of FNCFS is based on INAC reimbursing to an Administering Authority the actual costs for maintenance expenditures associated with FNCFS (referred to hereafter as a "reimbursement of actuals contribution regime").

This directive applies to all INAC employees as well as persons under contract to INAC who conduct such compliance reviews, to all Administering Authorities who administer FNCFS under a reimbursement of actuals contribution regime and to all provincial agreements for the provision of FNCFS.

3.0 Authorities and References

The FAA, Cabinet Record of Decision, and Treasury Board regulations set out the Minister's authority with respect to the expenditure of public monies including grants and contributions.

4.0 Issuing authority

This directive is issued under the authority of the Assistant Deputy Minister, Corporate Services.

5.0 Definitions

Alternate Care: Placement outside of the parental home in foster care, group home care or institutional care placements, also referred to as maintenance.

Administering Authority: The body/organization responsible for providing Child and Family Services for Indian children normally resident on reserve. This can include a First Nation, a Tribal Council, or other Third Party acting on behalf of the First Nation, the Province or INAC.

Client: The Indian child normally resident on reserve and placed in alternate care for whom service is being provided under Provincial Legislation and for whom INAC has accepted financial responsibility.

Compliance Review: A review by INAC of the administration and operation of the FNCFS program administered by the Administering Authority to ensure that the program is being delivered in accordance with INAC's policies which reflect Treasury Board and Cabinet authorities.

Eligibility: Describes the requirements a client or recipient must meet in order to be entitled to a service that is provided with funding from the department.

Indian: "Indian" means a person who pursuant to the *Indian Act* (R.S., 1985, c. I-5, s. 2) is registered as an Indian or is entitled to be registered as an Indian.

Funding Agreement: A document containing the terms and conditions by which a transfer payment is made by INAC to an Administering Authority for the delivery of programs and services by the Administering Authority. Types of agreements include Contribution Arrangements (CA), Comprehensive Funding Arrangements (CFA), Financial Transfer Agreements (FTA)/CFNFA-Non-Core Agreements or Provincial Funding Agreements.

Maintenance: For the purposes of INAC funding, per diem costs (excluding any other support costs which are funded through the Operations funding formula) for eligible Indian children normally resident on reserve and placed in alternate care (i.e. Foster, Group, Institutional).

Recipient: The FNCFS administering authority responsible for the delivery of Child and Family services to clients. This can include a First Nation, a Tribal Council, or other third party acting on behalf of the First Nation, the Province or INAC.

Reimbursement of Actuals Contribution Regime: Funding approach by which INAC will reimburse the Administering Authority for all eligible FNCFS maintenance expenditures. Note this does not include any and all payments made by the Administering Authority. It is restricted to eligible payments for eligible clients/recipients based upon the provincial rates for maintenance, subject to Treasury Board approved maximum amounts. This regime also allows for the reimbursement to INAC of advances over the allowable eligible FNCFS maintenance expenditures.

Remedial Action: A series of steps set out in the Funding Arrangements Intervention Policy, and within a funding agreement, that confirm and correct problems which come to exist or are arising, with respect to an Administering Authority meeting its obligations.

Terms and Conditions: The obligations between the parties to a funding agreement or other documents referred to within the funding agreement.

6.0 Policy Statement

The basic principles to be followed in the administration and monitoring of FNCFS are as follows:

a) INAC's responsibility:

- as a matter of policy, INAC has accepted financial responsibility to fund FNCFS (using the Government of Canada funding principles and definitions) under Provincial Child Welfare legislation for Indian Children normally resident on reserve at time of apprehension or placement, or in the case of an agreement with the Province, the Province will be funded as per the administrative agreement in place with the Province;

- is to ensure that the tripartite and dual bilateral agreements with the Administering Authorities are consistent with the departmental authorities;

- is to ensure that all FNCFS funding agreements with the Administering Authorities are consistent with departmental authorities including Treasury Board approved Terms and Conditions for Child and Family Services;

b) Administering Authorities' responsibility:

- provide proof that the child is eligible for funding and to document the level of the financial support required;

- to manage FNCFS in accordance with the applicable provincial laws, regulations and rules and to put in place accountability mechanisms on the management of Child and Family Services;

- ensure compliance with departmental authorities, and National Program Policy 20-1 Chapter 5 with respect to INAC funding of FNCFS;

- adherence to the terms and conditions of Administrating Authorities agreements with INAC and the Provincial Governments with respect to the provision of FNCFS for Indian children normally resident on reserve;

c) As the authority to fund Administering Authorities for maintenance is on a reimbursement of actuals contribution regime and approved provincial rates, subject to Treasury Board approved maximum amounts, as paid to the Foster/Group/Institution, there cannot be a year-end surplus in the maintenance account.

The purpose of conducting compliance reviews is to:

a) confirm client eligibility

b) enable the department to meet its accountability responsibilities to Parliament for the expenditure of public funds under section 34 of the FAA;

c) determine and ensure compliance with provincial rates, subject to Treasury Board approved maximum amounts;

d) provide support to Administering Authorities in the effective and efficient operation of FNCFS.

INAC has no responsibility for services to First Nations members normally living off reserve and compliance reviews are not to be conducted upon these services. However, regions should consult with the Province to ensure that the provision of these services off reserve are not jeopardizing the provision of INAC funded FNCFS on reserve, and advise the Province and First Nations that INAC operations funding is to be utilized for on reserve services only.

6.1 Eligibility Criteria

INAC accepts financial responsibility to fund FNCFS under Provincial Child Welfare legislation for Indian Children normally resident on reserve at time of apprehension or placement, or in the case of an agreement with the Province, the Province will be funded as per the administrative agreement in place with the Province.

The eligibility of the Administering Authority is determined by the funding agreement and delegation agreement with the provincial authority for Child and Family Services.

7.0 Responsibilities

Except where otherwise indicated, the Regional Directors General are responsible for implementing this directive.

This directive represents a standard which regions must implement. There is nothing in the directive which limits regions from exceeding (e.g., more frequent reviews, larger samples, etc.) the requirements of this directive, subject to the terms and conditions of the funding agreement.

The Province is responsible for the monitoring of the "quality of service" of First Nation and Third Party Administering Authorities as the Province delegates the authority only, therefore having the ultimate responsibility for the appropriate application of the program.

The Finance Branch at headquarters is responsible for the interpretation of this directive and for the insertion of any necessary changes.

8.0 Review process

Manuals

A basic requirement of a complete compliance process is the existence of regional manuals or provincial/territorial directives that reflect the applicable provincial/territorial terms and conditions including rates and guidelines, subject to compatibility with federal legislation and INAC's authorities for FNCFS including maximum amounts payable. However, it should be clearly understood that INAC's funding authority is based upon Cabinet and Treasury Board authority and not Provincial definitions.

Manuals Time Frame

a) Regions have ninety (90) days from the date of provincially/territorially announced changes in terms and conditions, including rate changes, to update their manuals and advise the Administering Authorities of the changes.

b) However, to the extent that the provincial/territorial changes are consistent with federal legislation and INAC's authorities, the changes must be put into effect as of the same date as the provincial/territorial changes go into effect. Regions are to ensure that there is a mechanism in place to notify the Administering Authorities immediately of any such changes.

Notification of an on-site review

INAC will provide Administering Authorities at least two (2) weeks in advance (or less if mutually agreed to) with written advance notice of an on-site compliance review to be conducted in the up-coming calendar year and will arrange a mutually agreed upon date to conduct the on-site compliance review. Arrangements are to be made to ensure that the documentation required for the review, as well as the appropriate Administering Authority and representatives, are available to assist in the review. Regions should make every effort to include provincial representation in the conduct of an on-site review or to coordinate the on-site review with the provincial program review.

Review Sample Selection - On-Site and Provincial

A systematic approach should be used in the completion of compliance reviews. Two sampling methodologies are proposed. (Note, in Ontario, if the Province has an approved sampling methodology, then it is to be used in Ontario reviews.)

Option 1:

A random selection of the files to be reviewed could be determined as follows:

Formula to be used for Case files and Foster files		Caseload Size Example				
		40	80	190	250	320
1	100% of first 25 files	25	25	25	25	25
2	50% up to the next 100 files	8	27	50	50	50
3	25% of files over 100	0	0	23	38	55
	Total Files to Review	33	52	98	113	130

Option 2:

Regions can use the sampling methodology developed by the Corporate Information Management Directorate (CIMD) of INAC as contained in the paper entitled "Program Review for Social Assistance: Sampling Guide" dated October 1995.

Verification
Regions should take reasonable care in verifying client eligibility and level of support. This will include verifying that foster parents are licensed or authorized in accordance with Provincial requirements to provide the necessary level of care.

8.1 In-Office Reviews

Eligibility Review
The in-office review includes on-going verification of client eligibility as per Section 6.1, that the client for whom the department has been billed is an Indian normally resident on reserve and has been placed in alternate care under the provision of provincial child welfare legislation. The information required to establish client eligibility would include but not be limited to: client's name, client's band/family/member number, client's date of birth, date of client's admission into care, client's legal status, and residency of client at time of apprehension, etc.

Where INAC itself is carrying out data sharing procedures between INAC and provincial/other government departments databases, a Memorandum of Understanding (MOU) or some other agreement is required between the region and the Province/other government department.

Verification of Ongoing Claims for Reimbursement
Regions are to ensure that their office procedures include a clearly defined process in the region to verify ongoing claims for reimbursement. This process must also include a notification process to advise the Administering Authority of the reasons why any portion of the claim has not been reimbursed and what corrective action, if any, is required with respect to the refused amounts.

Documentation required to support the amount claimed by the Administering Authority, in addition to the client information under eligibility would include but not be limited to: dates in care, type of care, daily per diems, and any other child specific maintenance charges that are eligible for reimbursement.

Where the supporting documentation is insufficient to substantiate the Administering Authority's claim for reimbursement, regions will not reimburse these Administering Authorities expenditures until the supporting documentation has been received and verified.

8.2 On-Site Reviews

FNCFS Compliance Reviews will be conducted in a respectful, supportive and timely manner involving both the Administering Authority, INAC and where possible, provincial representatives, throughout the process with the endeavour to resolve areas of concern as they are identified, thereby minimizing the number of follow-up items to the greatest extent possible.

The funding agreement terms and conditions require Administrating Authorities to open child care files for compliance reviews for the purpose of confirming eligibility and adherence to established standards and reviewing the quality of data which INAC uses for resourcing, operations, accountability, policy/planning and statutory requirements.

In the **Ontario Region**, FNCFS is administered by the Province of Ontario. Compliance reviews are carried out by the Province under provincial legislation. The Ontario Region is to ensure that the terms and conditions of the 1965 Ontario Indian Welfare Agreement are adhered to and that the reviews of First Nation Child and Family Services Agencies and Non First Nation Child and Family Services Agencies (providing services to First Nations) meet the objectives of this directive.

Region should request from the province a copy of the report outlining the findings of the compliance reviews.

Review Team

The review team can be composed of INAC employees in partnership with the FNCFS and Provincial authorities. Other means to complete the FNCFS compliance reviews are acceptable; these include, but not limited to, a third-party consultant, Consulting and Audit Canada, or other suitable persons or firm.

Components of the Review

The on-site review is to ensure consistency with invoicing to the department. The review is to be composed of, but not limited to, four distinct activities:

a) review of case files;

b) review of foster parent files;

c) an administrative review of the office practices of the First Nations Administering Authority and the associated accounting for payments made on behalf of eligible clients;

d) group/institutional care facilities review. This review would be for financial verification and confirmation that there is documentation that the facility meets the provincial requirements.

File Review

The files selected for review should ensure that the information being reviewed is consistent between the various files for each child in care, (i.e. case files, foster files, etc.) and should reflect the same dates in care, type of care, billing information, etc.

a) A complete case file must include, but not be limited to:

- verification that the child is an Indian normally resident on reserve at time of apprehension or placement or in the case of an agreement with the Province, the Province will be funded as per the administrative agreement in place with the region;
- verification of the legal status under provincial legislation (i.e. courts documents or voluntary care agreements);
- verification of placement type, caregiver and duration of placement;
- verification that maintenance rates and special needs rates for children in alternate care (out of parental home) are consistent with applicable provincial rates and policies and Treasury Board approved maximum amounts;
- verification that provincial regulations for follow-up and reevaluations are adhered to.

b) A complete foster parent file review will include, but not be limited to:

- verification that foster parents have met provincial requirements for approval (training and/or licensing) and have adequate liability insurance included where appropriate;
- verification that foster parents are approved to provide the level of care required for the child in alternate care;
- verification that foster parents' per diem and special rates are consistent with provincial policies and practices and Treasury Board approved maximum amounts.

c) The administrative review is completed to assess the financial and administrative operations of the First Nation and Third Party Administering Authority to ensure that they comply with acceptable office practices. A complete administrative review will include, but not be limited to:

- current delegation of authority under applicable legislation;
- liability insurance consistent with provincial requirements;
- verification that the society/agency remains in good standing within federal or provincial legislation;
- assessment of financial control (process for cheque authorization, signing and reconciliation);
- verification that INAC invoicing is consistent with actual disbursements to care providers;
- verification that INAC is billed in the appropriate category and level of care;
- internal operating procedures are documented, for example, current child welfare policy manuals and other reference manuals, personnel policies, job descriptions and organization charts;
- child welfare files are maintained in a confidential and secure environment;
- follow up on previous program and/or financial reviews.

d) Confirmation that group/institutional care facilities, including confirmation of provincial licensing/approval requirements, care invoicing and adequate liability insurance, are consistent with provincial requirements and that the per diem rate is consistent with the level of services provided and with Treasury Board approved maximum amounts.

Debriefing

Once the on-site review is finished and before leaving the site, Administering Authorities and representatives are to be debriefed on the preliminary findings of the review. Where appropriate, Chiefs and Councils and/or society/agency board member (whoever the funding agreement is with) should also be debriefed on-site. Written confirmation of these findings will be provided to the Administering Authority. If necessary, a follow-up review should be done, using the same procedures as the first but covering only those problem areas identified in the first review.

Resolution of Non-Compliance

The First Nation Administering Authority should be given every opportunity to address and resolve on-site any areas of non-compliance identified. The object is to minimize the number of follow-up items to the extent possible.

8.3 Provincial Reviews

The purpose of the Provincial Review Process is to ensure that INAC payments to the Province are only for those children for which INAC accepts financial responsibility and that INAC is being billed appropriately according to the terms of the provincial agreement and Treasury Board approved maximum amounts.

Review Team

The review team should include representatives from both the Province/Territory and INAC. Other means for INAC representation to complete the FNCFS compliance reviews are acceptable; these include, but not limited to, a third-party consultant, Consulting and Audit Canada, or other suitable persons or firm.

Components of Review

The review process is to be carried out in the manner that most appropriately reflects the operational structure of the region and the agreement between the department and the Province.

File Review

A file review must be carried out to ensure that the directive, funding authorities and/or provincial agreements are being adhered to.

The file review must reconfirm eligibility of the client and all other aspects of the funding formula contained in the provincial agreement.

This process must verify that information observed in the file review was appropriately transferred to the billing and that the appropriate provincial/territorial rate, subject to Treasury Board approved maximum amounts, was charged for the service provided.

Debriefing
Observations and findings must be presented to the review team for initial comment. The final report should include pertinent observations or outstanding differences remaining between the parties.

A copy of the final report, along with proposed actions and recommendations to improve the process, must be provided to the Province/Territory being reviewed.

Resolution of Non-Compliance
The Province should be given every opportunity to address and resolve any areas of non-compliance identified.

8.4 Financial Impact of Compliance Activity

Regions are to implement and maintain a system to capture and report on: the difference between an Administering Authority's claims for reimbursements and actual reimbursements (i.e. impact of in-office review); and amount recovered as a result of on-site reviews (if applicable).

8.5 Dispute Resolution and Records

Where the Administering Authority wishes to dispute decisions made during monthly verifications or on-site compliance reviews, such disputes should use the normal dispute resolution process in the region.

Maintenance of Records
In order to facilitate compliance monitoring and the processing of appeals, the Administering Authorities are required to maintain clients case files for at least three years after payments are made or for a longer period if required by provincial law.

8.6 **Refusal of Access**

Refusal of a First Nation Administering Authority to permit access to the files so that the on-site review can be completed will result in the immediate application of remedial action as permitted under the terms and conditions of the funding agreement. Such remedial action will continue in effect until the on-site compliance review has been completed.

Refusal of a Province to provide the necessary documentation to audit the provincial billing will result in the immediate application of remedial action as permitted under the terms and conditions of the provincial agreement.

8.7 **Remedial Action (for items within INAC funding authority)**

a) Where the findings of the review identify items or areas of non-compliance, where appropriate, the Administering Authority is to be given a reasonable period of time to take remedial action to correct these items. The length of time to be provided to the Administering Authority to take corrective action is dependant upon the extent and nature of the non-compliance problem.

b) Depending upon the extent of non-compliance, the Administering Authority can be requested to provide copies of the missing or incomplete documentation for claims where the child was eligible for funding. Alternatively, the region may arrange a follow-up visit to assess the corrective action taken on all the files identified as not being in compliance during the original review.

c) If corrective action has not been taken by the Administering Authority, the region is to initiate recovery of the payments to the Administering Authority for all files not in compliance for the extent of payments which are not in compliance. The recovery period is not limited to a set time period. Recovery actions are to be based upon the time the non-compliance began. Recovery is to be limited to only those files which have been reviewed. If, at any time, the compliance team identifies significant or systematic errors during the review, the sample should be expanded, if necessary to 100 percent, if anomalies warrant such an expansion. The Administering Authority is not to be reimbursed for clients where the file review

for that client indicated non-compliance, until such time as the Administering Authority has demonstrated that the file is in compliance.

d) In cases where there is evidence of a possible criminal act, the region shall consult with or refer such cases to the proper police authorities. Such action in itself does not prove a possible criminal act. It is an action to ensure that the evidence is considered by those mandated under law to consider such information in accordance with due process of law. (Refer to the February 26, 1998, letter from the Transfer Payments Directorate, Finance Branch, headquarters, entitled "Management of Allegations Involving First Nations".)

e) Where cases have been referred to the police, and once the police and crown attorney have indicated that such activities will not jeopardize the police investigation and/or potential prosecution, regions should continue with remedial action as set out in above paragraphs a) to c). Regions should consult with the police authorities on an ongoing basis on cases which have been referred to the police.

8.8 **Frequency**

The departmental compliance methodology is composed of a review and verification of ongoing claims for reimbursement supplemented by periodic on-site reviews of these transactions.

The in-office verification of client eligibility is to be done on an on-going basis along with the billing verification. Detailed confirmation of client eligibility will be done on-site as part of the on-site compliance review process.

In order to minimize any detrimental impact arising from recoveries under Section 8.7 c), on-site compliance reviews of every First Nation funded under a reimbursement of actuals contribution regime are required at least every three years in all regions subject to the risk assessment criteria outlined in Annex A.

Where provinces conduct regular program reviews of FNCFS Agencies, regions should endeavour to conduct on-site reviews at the same time.

The review and verification of ongoing claims for reimbursement are part of an effective compliance regime. This activity may result in the identification of Administering Authorities which should be subjected to further reviews as a result of anomalies in the ongoing claims.

8.9 **Reporting**

Regions are to report annually on their compliance activity results from the prior fiscal year. This reporting will normally take place in the first quarter of the fiscal year through the performance indicator exercise.

9.0 **Enquiries**

Enquiries relating to this directive should be addressed to the Director, Resource Management and Reporting Directorate, Finance Branch, Headquarters.

Annex A: Risk Assessment Criteria

First Nations will be identified for program review based upon several criteria. Financial criteria would be based upon Size/Variance.

PRIORITY 1	Cost variance 4% and up	Average caseload 100 and up
PRIORITY 2	Cost variance 4% and up	Average caseload less than 100
PRIORITY 3	Cost variance less than 4%	Average caseload 100 and up
PRIORITY 4	Cost variance less than 4%	Average caseload less than 100

All First Nations CFS programs fitting in priority 1 category MUST be reviewed. Priority 2/3, depending upon financial impact, may require reviews. Priority 4 — unless there are other considerations — is the lowest priority.

Other factors to consider in the risk assessment would include:

- complaints from the Community or the Province;
- changes in management or professional staff turnover;
- changes in social and economic conditions on reserve.